

Chapter 26

Cost Accounting

26-1. General

a. Cost accounting is required at U.S. Army Defense Business Operations Fund (DBOF) activities, Research, Development, Test, & Evaluation (RDTE) activities performing substantial reimbursable work, hospitals, installation facility engineer activities, Information Technology Facilities (ITF), and for determining the amount of appropriated fund (APF) support provided to morale, welfare, and recreation (MWR) activities. This chapter covers general cost accounting theory and is based upon standards developed by the Cost Accounting Board (United States Code (U.S.C.) Title 50, App. 2168, 84 STAT 796, Section 103, Code of Federal Regulation, Volume 4, Chapter 3). Also covered in this Chapter are special rules for RDTE, Defense Business Operations Fund-Depot Maintenance Army (DBOF-DMA), Defense Business Operations Fund-Supply Management Army (DBOF-SMA) and special facility engineering projects. Cost accounting provides:

- (1) The basis for determining the cost of individual orders for billing or management purposes, and all end-products and services will include a fair portion of all overhead costs of the activity;
- (2) Data on production costs of end-products and services by category (the final cost objective);
- (3) A basis for relating actual costs to standard cost estimates by cost center for analysis of variances;
- (4) Cost data for estimating rate schedules, budgeting, and establishing cost standards for cost control;

b. The ground rules and requirements for cost accounting vary among different activities and environments. For example, the manager of a DBOF-DMA shop in the U.S. Army Materiel Command (USAMC) may need an elaborate job order accounting system with a break-out of materiel, labor, and overhead costs. A U.S. Army division commander, however, may need little more than the identity of total operating costs to subordinate organizational units.

c. A cost accounting system requires identification of all funded and unfunded organization costs and their incorporation into all outputs (products and services). Generally accepted accounting principles require consistent and uniform application of both direct and indirect costs to products and services. Accurate cost allocation requires careful identification of costs to periods, organizations, cost pools, and jobs. The underlying discipline is that every dollar of costs incurred by an organization must be related to a product or service produced by that organization.

d. Because the annual appropriation and funding process is not conducive to accurate cost accounting, revolving funds have been devised to

allow accounting for operations without the normal constraints of annual appropriations. These revolving funds provide separate financing of inventories and work-in-process so costs can be accurately identified to time periods, organizations, cost pools, jobs, and other forms of output.

e. The uses of cost accounting encompass the full spectrum of financial management including:

- (1) Operating budget projections developed from historical data and future cost projections;
- (2) Current budgets showing comparison of estimated and actual costs;
- (3) Cost centers and job orders as primary means of gathering and controlling costs for customer orders in DBOF and RDTE activities;
- (4) Reprogramming of funds during execution based on actual costs;
- (5) Personnel costing that supports space allocation and manpower use;
- (6) Weapon systems and force modernization costs at installations used to calculate the cost of sustaining the force, as well as to determine weapon acquisition, efficiency and future needs;
- (7) Costs supporting reimbursable bills.

26-2. Professional requirements

Accountants need a basic understanding of cost accounting principles and familiarity with:

- a. Serviced activities' missions, organizational structure, program and budget guidance;
- b. The business process (including major event cycles) within the organization;
- c. Basis and methodology for automated systems interface;
- d. Characteristics of serviced accounting appropriations and programs;
- e. Cost accounting and pricing procedures applicable to reimbursable orders;
- f. U.S. Army internal control provisions that apply to installation accounting and revolving fund operations;
- g. Use of materiality to refine cost accounting techniques.

26-3. Responsibilities

The accountants' major responsibilities include:

- a. Determining types and sources of cost information to be included in a given cost application (for example, materiel, labor, and overhead);
- b. Establishing the local coding structure, which is the basis for classifying and summarizing costs into categories;
- c. Validating rates, cost codes, and performance factor data;
- d. Identifying and analyzing significant cost variances;
- e. Interacting with activities using cost data. This interaction will include:
 - (1) Explaining the availability and types of cost

accounting information available related to the activity directors' specific programs and sub-programs;

- (2) Exchanging information on costing needs;
 - (3) Explaining or interpreting cost code structures and accounting system cost processes;
 - (4) Cautioning managers about any limitation of available cost information;
 - (5) Developing and coordinating rate changes;
 - (6) Discussing and resolving variances;
 - (7) Advising on ways to reduce, shift, or minimize costs;
 - (8) Recommending alternative costing methods, when applicable;
 - (9) Aiding in establishing and implementing parameters to alert managers when actual costs vary significantly from estimates;
- f. Recording and interpreting report values.

26-4. Operational cost accounting

Methods used to capture project cost in the operations and maintenance appropriation environment have not historically been considered "cost accounting." However, efforts have been made to obtain cost accounting information from installation-level accounting systems. This effort has been characterized by the creation of additional codes to identify fiscal transactions in greater detail and by redefining obligations so they approximate costs for an accounting period; therefore, an overview of total operations shows cost accumulation as part of the effort to identify and standardize costs. These costs may later provide a basis for making valid budget estimates, determining the cost-effectiveness of contract proposals, providing an informed response to a request from higher headquarters, or simply making an accurate cost distribution. The above procedures satisfy one of the major objectives of cost accounting; that is, the ability to compare costs at installation, intermediate, and total U.S. Army levels and to thereby enhance decision making.

26-5. Cost accounting concepts

a. Cost finding versus cost accounting.

(1) In a cost finding system, unit costs are obtained by analyzing expenditure accounts and making test counts of units at regular or irregular intervals. Unlike a cost accounting system, a cost finding system does not provide accounts for accumulating current cost data on a continuous basis.

(2) Cost finding may be appropriate in some instances where the information is only occasionally needed for a special purpose. However, data produced under this method is often not as precise as that obtained under a cost accounting system.

b. Cost transfer.

(1) Where economically beneficial, charges for labor, materials, and contractual services may be

accumulated in a specific account of the performing activity. These charges may subsequently be transferred to the benefiting program.

(2) At the end of each month make a cost transfer. Credit the performing activity's account and charge the accounts of the benefiting program or activity; the net effect equals zero. Use one of the accepted methods of distribution.

(3) For all cost transfers between Army Management Structure Codes (AMSCO) in the same appropriation (same basic symbol and same fiscal year within a basic symbol) and allotment, use an EOR in the 2700 series (see DA Pam 37-100-FY). The net effect of the cost transfer will be zero for each 27XX EOR. Budget execution of manpower (EOR 1XXX series) will remain with the AMSCO to which it was budgeted. The EOR 2700 series will show the dollars accumulated in the AMSCO where the work is performed.

(4) Where costs are incurred for services performed and the benefiting activity is funded by another appropriation and allotment, set up a reimbursable order and record the reimbursement in the AMSCO to which the performing manpower is allocated.

(5) The cost transfer procedure is normally not used in the DBOF because cost accounting systems are available to distribute cost to the proper cost objective.

c. Accrual accounting.

(1) Operate cost accounting systems on an accrual basis.

(2) Cost accounting systems are an integral part of the general accounting system. The work-in-process accounts in the general ledger serve as controlling accounts for progress billings issued and progress payments received.

d. Cost centers.

(1) A cost center is a control unit selected to budget, accumulate, and control related costs. It usually consists of an organizational grouping of machines, methods, processes, or operations.

(2) Cost centers can be at any level of the organizational structure (for example, an entire department or an individual shop or office). Each employee of the activity can be assigned to one cost center only.

(3) Cost centers may be either direct or indirect. Direct cost centers are those which directly contribute to outputs or cost objectives. Although direct cost centers may incur indirect costs, most of their effort is related to outputs. Indirect cost centers are those which indirectly contribute to outputs or cost objectives. These organizations may be located in the mission organization or in general support of one or more mission functions. Examples are planning, mission management, supply, resource management, personnel management, and data

processing.

e. Types of costs (direct and indirect).

(1) Costs are either direct or indirect. Direct costs are specifically identified with the product or service performed and economically feasible to charge to the final cost objective. Indirect costs cannot be directly identified and charged to a final cost objective, and instead are allocated on some predetermined basis.

(2) The term "indirect costs" is synonymous with overhead. Apply overhead costs consistently from one accounting period to the next. For example, if a heating system is in direct support of a specific job order or project, the cost cannot be charged as direct cost. It can, however, be directly identified as overhead to the job order or the organizational area working on the job order. Control and measure overhead against budgeted operating costs. Where practical, use flexible budgets, also called variable budgets, to managing costs. Flexible budgets are prepared for a range of activity instead of for a single level, and thus supply a dynamic basis for comparison because they are automatically geared to changes in volume. Highlight variances that may need special attention. Types of overhead costs are: operating (direct cost center), other operating (indirect mission cost center), maintenance and service (base operations), and general and administrative expense overhead.

(3) Levels of overhead collection and subsequent application to the final cost objectives are determined by the size and complexity of the organization. For example, an installation having more than one mission will require more levels of overhead than a tenant activity. The four levels below are required for an installation with multiple missions.

(a) Operating overhead, both funded and unfunded, (direct cost center) is incurred and applied at lower organizational levels. It includes expenses for supervisory shop labor, administrative labor, nonproductive time incurred by direct employees such as down time, plant cleanup time, and indirect materials. Operating overhead normally is allocated to the final cost objective on the basis of direct labor hours at the cost center level.

(b) Other operating overhead, both funded and unfunded, (indirect mission cost centers) is incurred above the organizational level of the direct work centers. Included are functions that support the overall mission effort and are not readily identifiable to a specific functional portion of the mission operation. Examples are planning and control, materiel management, general engineering, mid-level management, and administrative operations. Allocate these costs via predetermined rates based upon direct labor hours (funded or unfunded), or another recognized method of overhead distribution.

(c) Maintenance and service (base operations) overhead is incurred outside of the mission activity

and is allocated by the host to all mission activities in a fair manner. Once these overhead costs are allocated to mission activities, distribute them within each activity on the same basis used to allocate operating overhead. Base operations (BASOPS) are those support services and functions performed by the facility for the benefit of others. BASOPS includes real property maintenance, minor construction, environmental compliance, installation supply and maintenance services, transportation, and other installation common support services. Specific examples of BASOPS are fire prevention and protection, refuse handling, and purchased utilities.

Specific examples of beneficiaries are mission activities, customers, tenant functions performed under commercial activities (CA) contracts, and satellites (regardless of the appropriation or fund account from which such services are financed).

(d) General and administrative expense (G&E) overhead includes base operation expenses which equally benefit all of the mission activities of the accounting entity, and which cannot be more specifically identified to a given mission. Examples of G&E are security and counterintelligence operations, public affairs, and safety. Distribution should be made on the basis of direct labor hours or other recognized methods of overhead distribution.

f. Methods for overhead application. Overhead is distributed using one of the three methods described below:

(1) *Direct labor hours.* This method of distribution is most commonly used in the U.S. Army, and for discussion throughout this chapter.

(2) *Direct labor cost.* This consists of the total cost of labor including the U.S. Government's share of fringe benefits and other pay.

(3) *Total cost input.* This is the method of overhead distribution preferred by the Cost Accounting Standard Board (CASB). The lowest level of overhead is first allocated to total direct cost. Each level of overhead is then applied to the previous subtotals.

g. Application of overhead. Apply overhead based on actual cost incurred or through the use of predetermined rates.

(1) *Actual Cost Method.* Distribute 100% of actual period cost to all products or services produced within that period. This method raises a problem of equity, however, because overhead expenses are not incurred in uniform amounts each period. For example, an activity located on the East coast can expect substantial snowfalls in the month of January. Such snowfalls require significant overhead costs to remove. All other things being equal, the customers for whom work was performed in the month of January would pay for more overhead than would those customers requesting identical work during July;

(2) *Predetermined Rate Method.*

Distribute actual period cost to all products or services produced within that period via use of a predetermined rate. This method is preferred because it uniformly charges overhead to products or services regardless of the month in which work is performed. This method is called "absorption costing".

h. Element of resource (EOR). Accounting systems may require recording of EORs at either the two- (object class level) or four-digit level. Where input is required at the four-digit level, the data will be summarized at the two-digit level. Paragraphs j. through n. describe accounting procedures for EOR.

i. Salaries and wages. Charge civilian salaries and wages to cost accounts. Do so based on standard labor rates for each cost center, or on individual labor rates.

j. Fringe benefits.

(1) Fringe benefits include civilian annual, sick, or other leave, and the U.S. Government's contribution to Civil Service Retirement and Disability Fund (CSRDF), Federal Insurance Contribution Act (FICA) taxes, Federal Employees Group Life Insurance (FEGLI), Federal Employees Health Benefits Program (FEHBP), Medical Care (MEDICARE) taxes, and Federal Employees Retirement System (FERS).

(2) Allocate fringe benefit costs to work produced through application of a predetermined rate. This rate should include regular, overtime, and holiday hours worked. Each activity determines its own rates by using historical data.

(3) Account for annual leave as follows:

(a) Activities receiving employees at inception of operations, or transferred from other organizations, will establish the value of the accrued annual leave liability transferred in. Determine the amount of the initial leave liability assumed based on information derived from leave records. Record this initial annual leave liability with a credit to a liability account and a debit to an equity account. DBOF will not reimburse other appropriations for annual leave liability transferred out of DBOF.

(b) Annually, compare the credit balance of allocated cost in the annual leave clearing account to the total debit balance of actual individual leave as supported by the payroll leave records on September 30th of each year. Process an adjustment to bring the aforementioned debit and credit into balance, that is, to be equal. Show this adjustment in the fourth quarter reports. However, when blanket pay adjustments and/or upgrading/ down-grading of employees produces imbalances in the clearing account, adjust the rate so that the imbalance can be allocated over a period not extending beyond the end of the current fiscal year. These approaches will allocate one hundred percent of cost during the fiscal year.

(c) When a DBOF facility loses groups of employees to a non-DBOF facility (transfer of missions), or loses them permanently as in the case of a reduction in force, it does so without making payment for the funded annual leave liability. In such cases, via a cash disbursement, transfer the amount of the funded annual leave liability to the miscellaneous receipts account of the U.S. Treasury (see DA Pam 37-100-FY). If cash or equivalent assets were not initially received when employees were transferred in, the initial entry then made to accrue leave costs must be reversed. That is, the liability must be debited and the equity account credited.

(d) Charge the value of annual leave actually taken to the accrued annual leave account monthly.

(e) Compute the annual estimated cost of annual leave by obtaining a total of annual salaries of all covered employees and applying such amount as shown at Table 26-1.

(4) Account for sick, holiday, and other leave as follows:

(a) Sick, holiday, and other leave are not continuing cash liabilities, therefore do not accrue such costs when establishing the books.

(b) Compute accruals for sick, holiday, and other leave using a standard rate based on experience. Credit accruals to the accrued sick, holiday, and other leave accounts and charge to the proper indirect cost accounts.

(c) At the end of each fiscal year, close the balance in the clearing accounts by charging or crediting to the proper indirect cost accounts.

(5) Account for retirement programs as follows:

(a) Do not consider when establishing the books;

(b) Compute accruals by multiplying hours worked or base labor cost used times a standard rate;

(c) Compute the standard rate for accruing retirement at least annually. At this time, determine the causes of over-accruals or under-accruals of the retirement clearing account by comparing the amounts accrued with the amounts paid. Adjust the clearing account balance to actual amount due on September 30th. Compute the estimated annual cost of contribution by obtaining a total of annual salaries of all covered employees and applying an amount as shown in Table 26-2.

(6) Account for FICA taxes as follows:

(a) Do not consider Federal insurance contributions when initial working capital is set up.

(b) The accrual for the employer's share of FICA taxes is the employer contribution rate times FICA-covered base salaries. Use hours worked or base labor cost as a basis to accrue the contribution for FICA by means of a standard rate.

(c) Compute the standard rate for accruing Federal insurance contributions at least annually. Determine the causes of over-accruals or under-accruals by

comparing the amounts accrued with the amounts paid into the fund. Adjust the account balance to the actual amount due on September 30th. Compute the estimated annual cost of FICA by multiplying the total estimated annual salaries of all covered employees times the applicable rate. Use the established current ceiling (or less as the case may be), per AR 37-105 (Finance and Accounting for Installations: Civilian Pay Procedures).

(7) Account for FEGLI as follows:

(a) Do not include FEGLI amounts when establishing initial working capital.

(b) The accrual for the employer's share of the cost of group life insurance is 50 percent of the employee's Group Life Insurance (GLI) deductions as shown on payrolls paid during the period. Use hours worked or base labor cost as a basis to accrue the contribution for FEGLI by means of a standard rate.

(c) Compute the standard rate for accruing FEGLI as follows:

1. Compute the FEGLI rate at least annually. Determine the causes of over-accruals or under-accruals by comparing the amount accrued with the amounts paid into the fund. Adjust the account balance to actual amount due on September 30th. Table 26-4 shows a sample computation of FEGLI Standard Rates.

2. When estimating the total annual salaries of all covered employees, exclude employees making salaries less than \$8,000. Multiply the number of employees excluded by \$10,000 to obtain their Regular Insurance Coverage and add to total covered salaries.

(8) Account for FEHBP as follows:

(a) Do not consider when establishing initial working capital.

(b) Accrue the amount of the employer's cost for the program. Use hours worked or base labor cost as the basis to accrue the contribution for FEHBP by means of a standard rate.

(c) Compute the standard rate for accruing FEHBP at least annually. Determine the causes of over-accruals or under-accruals by comparing the amount accrued with the amounts paid into the funds. Adjust the account balance to actual due on September 30th. Sample computations are shown in Table 26-5.

(9) Account for MEDICARE taxes as follows:

(a) Do not consider MEDICARE taxes when establishing initial working capital.

(b) Compute the accrual for the employer's share of MEDICARE taxes using hours worked or base labor cost times a standard rate.

(c) Compute the standard rate at least annually. Determine the causes of over-accruals and under-accruals by comparing the amount accrued with the amounts paid into the fund. Adjust the account balance to actual amount due on September 30. Sample computation is shown in Table 26-6.

k. Materiel and supplies.

(1) Materiel consists of all tangible items (excluding real property, general purpose equipment, and utilities) necessary to operate, maintain, and support military activities. Include all materiel used in the final cost objective, whether it was paid for by the funding appropriation, or provided free. Account for materiel received free of charge as "unfunded cost."

(2) Identify materiel and supplies directly to the final cost objective when economically feasible. If uneconomical, charge the cost to the overhead pool most closely associated with the work. Reduce costs for credits received for materiel returns. Use the actual price paid for the materiel. For materiel received free, use the unit price from the Army Master Data File (AMDF). The requisition and issue or turn-in documents will contain a code to identify the final cost objective or overhead pool. The code will normally be the job order number.

l. Contractual services. Contractual services are those received from private companies or other U.S. Government activities outside the accounting entity. Contractual services include rental of space, structures, or equipment, research, development, consulting services, or maintenance of plant and equipment. Record costs of all significant services monthly.

m. Depreciation.

(1) Acquisition cost of the asset less salvage value (if it is expected to exceed 10 percent of the acquisition cost), equals the depreciable basis.

(2) Divide the depreciable basis by the number of years of the expected useful life of the asset (not to exceed 20 years). "See Chapter 18."

n. Other costs. Other costs include all costs other than labor, materiel, depreciation, or contractual services. Examples are repair and alterations, travel, and transportation.

o. Unfunded costs.

(1) Unfunded costs are those costs which do not result in any disbursement of cash on the part of the performing activity. It includes such costs as depreciation, the unfunded portion of civil service retirement (CSR), and procurement appropriation items. Compute and apply a separate unfunded overhead rate for each level of overhead, using the same method as for the funded overhead rates. The purpose of the unfunded overhead rates is to identify the unfunded costs at the product level. This facilitates the comparison of product costs between U.S. Army and other DoD or private sector activities doing similar work.

(2) Use direct military labor hours to apply overhead even if the costs are unfunded. DBOF military labor costs are funded. Use composite standard rates when costing military labor whether the effort was direct or indirect.

(3) If the customer provides Government-furnished

material (GFM) without charge, identify any GFM to be furnished on the document ordering the work (project order, work request, and so forth). Charge the material to the customer as unfunded material so that full cost can be obtained.

(4) If the operating appropriation receives the capital items free, depreciation expense is unfunded.

26-6. Research development test & evaluation (RDTE)

a. Cost accounting is required when an activity receives a significant amount of their budget resources from reimbursable orders or if U.S. Congressional limits are placed on programs.

b. If the majority of the overhead of an organization is direct funded, a complex overhead distribution system is not required. Normally, base operations and real property maintenance costs are directly funded for operating appropriations such as RDTE and Operation Maintenance, Army (OMA). Therefore, distribute only operating overhead costs as funded costs to the final cost objective (reimbursable orders). In this case, an overhead distribution system would not be feasible unless most of the work performed was on a reimbursable basis. Without a cost accounting system, overhead could be statistically derived and applied to customer orders. RDTE activities should consult AR 70-6 to determine what types of overhead costs are direct funded by the RDTE appropriation and what costs can be charged to customers.

26-7. U.S. Army DBOF activities

a. The Defense Business Operations Fund (DBOF) is a revolving fund.

(1) In order to recover direct, indirect, and general and administrative costs from customers via reimbursable orders, each activity must have a cost accounting system. Under DBOF, all direct, indirect, and general and administrative costs incurred will be collected and identified to the product or service benefiting from the costs.

(2) Based on the cost accounting system, DBOF and non-DBOF customers shall be billed the total, all inclusive, cost for goods and services provided, based on the price structure approved in the President's Budget. Such costs include the costs of operation and maintenance, military personnel, major construction and repair projects, procurement, and depreciation of associated capital assets.

b. Distribute BASOPS costs as set forth in this paragraph.

(1) Initially charge or accrue all BASOPS costs (both funded and unfunded) incurred by DBOF facilities to BASOPS accounts. These accounts are listed in DA Pam 37-100-FY regardless of whether any BASOPS costs are found to be directly identifiable to customer projects, missions, tenants,

or satellites. Make distribution according to instructions in DA Pam 37-100-FY, and procedures described below.

(2) DBOF indicator codes 1 and 2 have been developed and assigned to each BASOPS account as published in the definitions, DA Pam 37-100-FY. These codes provide a uniform and consistent basis for distributing or charging BASOPS costs to all activities.

(a) Indicator code "1" shows that none of the costs incurred and recorded in BASOPS cost accounts are distributed or charged to the installation's mission overhead accounts, customers, or tenants and satellites. These costs are totally reimbursed directly from applicable OMA or RDTE appropriation funds through orders issued for that purpose by the next higher command.

(b) BASOPS cost accounts coded "1" are (with minor exceptions) mainly troop support activities that contribute to the morale and welfare of soldiers. These are active or retired soldiers who are stationed at, or live in the area serviced by, the installation. Generally, activities defined in these cost accounts do not benefit the mission programs and customers or the tenants and satellites of the installation.

(3) Indicator code "2" shows maintenance and services overhead that should be distributed. Distribute the costs on the basis indicated in AR/ DA Pam 37-100-FY. The method of distribution is the first performance factor for each account. This is true unless a specific method for common services or population served is used.

(a) This code requires that all costs incurred and recorded in these BASOPS cost accounts be distributed to mission activities, customers, tenants, satellites, or commercial activities (CA). Make distribution on an actual or standard rate basis. If standard rates are used, establish a method to analyze the difference between the actual cost and the cost distributed for each BASOPS account. This distribution includes an equitable share distributed to residual type operations, such as clothing sale stores, laundry and dry cleaning services, or direct funded activities, such as non-United States Army Materiel Command-OMA-funded tenants. These residual-type operations, although operated by an organization integral to the BASOPS organizational structure (and identified by DBOF cost distribution indicator code "1"), are similar to a tenant when certain BASOPS support (coded "2") is required in their operation. For example, Laundry and Dry Cleaning Services ("Z" account .E0) all require Utilities ("Z" account .J0) and Maintenance Services ("Z" account .K0) in their operations. Therefore, distribute an applicable share of these "Z" account costs (either as directly identifiable or prorated) to organizations of this type. Also include "Z" accounts in the total billing to OMA, RDTE, DBOF

appropriations, or the USAMC activity responsible for funding support costs for non-USAMC, OMA-funded tenants. Include in the billing directly to OMA (together with other applicable costs) the total cost incurred at a facility for BASOPS "Z" account .E0 (Laundry and Dry Cleaning Services-DBOF cost distribution indicator code "1").

(b) Examine all "Z" accounts identified by code "1" to find those that represent tenant-type organizations that use or benefit from those functions or services provided under "Z" accounts with code "2".

(4) Indicator code "3" shows general and administrative expense. Distribute these costs by direct labor hour (or other acceptable basis) generated in all mission, tenant, satellite, residually funded BASOPS activities of the DBOF installation. Report these costs as "Indirect Costs-General and Administrative" when required for depot maintenance reporting purposes. Charge the cost applicable to non-DBOF OMA tenants to the reimbursable order provided by the DBOF activities sponsoring command and not to missions, other tenants, and satellites.

(5) Review costs incurred and charged to each BASOPS cost account listed in DA Pam 37-100-FY at the end of each accounting period and distribute with the following considerations in mind:

(a) Charge all BASOPS activity costs coded "2" (or applicable portions thereof) that are directly identifiable to a specific mission, customer, tenant, satellite, and residual-type operations directly to customers (including tenants and satellites), or to mission overhead costs pools and cost centers. Non-DBOF financed U.S. Army tenants and satellites are excluded. Charge their support cost directly to the activity responsible for funding their support and subtract these costs from the total operation cost pools before distribution to missions, customers, tenants, or satellites. Costs charged to missions will ultimately be costed to job orders using predetermined standard rates applied to direct labor hours or other basis for distribution. Add maintenance and service costs that are to be redistributed, and which are directly chargeable to tenants and satellites, to the pro rata share of general and administrative expense (code "3") when billings are processed for BASOPS services.

(b) In certain cases, portions of costs of each BASOPS function coded "2" can be identified as directly benefiting (and supporting) a specific "mission" or tenant. (Examples are: a firehouse or guard station functioning solely to protect a specific "mission" or tenant or cost of electricity that is directly identifiable to missions or tenants based on meters or engineering estimates and computed by applying cost per kilowatt hour). Charge these costs directly to tenants or overhead cost pools of the benefiting activity. Only the balance left in the

BASOPS "Z" account (which represents common functional costs) is subject to allocation to mission, tenant, or satellite activities.

(c) Report code "2" maintenance and services overhead costs requiring redistribution and all operating overhead applied to job orders as "Indirect Costs-Production Expense".

(d) The specific distribution procedures for each BASOPS account are stated in DA Pam 37-100-FY. However, alternate methods will be approved with adequate justification. Submit request and justification for waiver to the Director, Defense Finance and Accounting Service-Indianapolis Center, ATTN: DFAS-IN/AM, 8899 East 56th Street, Indianapolis, IN 46249-2201.

26-8. Depot maintenance activities

a. Cost accounting required. All depot maintenance activities will use these cost accounting rules to ensure standardization of cost comparisons throughout DoD. U.S. Army depot maintenance activities include:

- (1) Anniston Army Depot; Anniston, Alabama;
- (2) Corpus Christi Army Depot; Corpus Christi, Texas;
- (3) Electronics Material Readiness Activity; Warrenton, Virginia;
- (4) Letterkenny Army Depot; Chambersburg, Pennsylvania;
- (5) Savanna Army Depot Activity; Savanna, Illinois;
- (6) Blue Grass Army Depot; Lexington, Kentucky;
- (7) Red River Army Depot; Texarkana, Texas;
- (8) Sacramento Army Depot Activity; Sacramento, California;
- (9) Seneca Army Depot Activity; Romulus, New York;
- (10) Sierra Army Depot; Herlong, California;
- (11) Tobyhanna Army Depot; Tobyhanna, Pennsylvania; and
- (12) Tooele Army Depot; Tooele, Utah

b. Identifying cost to job orders.

(I) The job order is basic in depot maintenance cost accounting and the maintenance management system. The job order number is the main data element to which cost is identified and controlled.

(a) Assign direct job orders to control customer orders. All direct job orders will equate to an estimated amount of work and allow for computing a unit price. Describe the amount of work in man-years or any other appropriate unit of measure. Use only direct job orders that represent project orders to compute work in process. To assign direct job orders, see subparagraph (2) below.

(b) Use indirect job orders to collect various indirect types of cost such as supervisory, labor, idle time, and base operation expense. Other synonyms for indirect job order are overhead cost pool, indirect cost account, and overhead account. In this chapter,

the term "indirect job order" will be used.

(2) Assign direct job orders for--

(a) Units subject to "pre-shop analysis" or "examination and evaluation" --

1. A separate job order is required for each unit when the estimated cost of maintenance to be performed is in excess of \$150,000. A separate job order is not required for the induction of units with the same identification number (Type Model Series (TMS) or National Stock Number (NSN)), and an estimated cost of maintenance for each unit is \$150,000 or less as specified below.

2. Assign at least one job order for the induction of all units during a month if they have the same identification number and an estimated cost of maintenance for each unit of \$25,000 to \$150,000. Determine the average cost of each unit.

3. Assign at least one job order for the induction of all units during a quarter if they have the same identification number and an estimated cost of maintenance for each unit of less than \$25,000. Determine the average cost of each unit.

(b) For units not subject to "pre-shop analysis" or "examination and evaluation" --

1. Assign at least one job order for the induction of all units during a month if they have the same identification number and an estimated cost of maintenance for each unit of \$25,000 or more. Use the average cost of each unit.

2. Assign at least one job order when the units scheduled for induction during a quarter that have the same identification number and are expected to exceed \$500,000 in total estimated costs of maintenance. Use the average cost of each unit.

3. Assign at least one job order a month for the same homogeneous grouping of items by stock classification, subclassification, repair category, or other appropriate criteria when the total estimated cost of maintenance for the units scheduled for induction during the month is expected to exceed \$1 million for the grouping. Use the average cost of each homogeneous group.

4. Assign at least one job order each quarter for the induction of all remaining units in the same homogeneous grouping of items by stock classification, subclassification, repair category, or other appropriate criteria. Determine the average cost of each homogeneous group.

(c) Lots or groups of items undergoing the same physical process. Establish job orders for lots or a group of items undergoing the same physical process when it is not economically possible or practical to identify the direct cost with the final cost objective (that is, a unit undergoing depot maintenance). Examples of services or processes that may use this procedure are plating and painting normally completed by a flow process operation. When the organization incorporates a flow process operation

(that is, all components or end items go through the same process regardless of the condition of the repairable item), this procedure may be used. Charge job orders established to obtain the cost for this process to final cost objectives (customer orders) before month-end closing. Processed job orders will show zero costs on month-end records. Distribute the costs from these job orders on the basis of programmed or estimated amounts. Base the distribution on an actual physical measurement of the output. Examples of the measurement are counts or weights.

(3) Open and close job orders using the following criteria:

(a) Open a job order when a work authorization document (letter of intent, project order, contract) is received. Open job orders within the basic order when the items are delivered to and accepted for induction by the depot maintenance activity. However, job orders may be opened 15 days before induction in order to establish a 15-day shop stock of materiel.

(b) Close job orders to further direct charges 15 working days after all work on the end item or routed component (whichever is later) has been done and final inspection completed. The activity top resource manager will assure the adequacy of justification and approve any transfers of costs to or from closed job orders.

(c) Adjustments to costs of prior years' job orders may be necessary, even though attempts have been made to ensure that all costs have been charged to the correct job order before its closing. When this occurs, adjust shop overhead. Changes of more than one-tenth of one percent must be approved by the Director, Defense Finance and Accounting Service-Indianapolis Center, ATTN: DFAS-IN/AM, 8899 East 56th Street, Indianapolis, IN 46249-2201 and recorded in general ledger account, "Prior-period adjustment".

c. Direct and indirect labor classifications.

(1) Direct labor benefits only the job order for which it is performed. Two classes of direct labor (direct labor-production and direct labor-other) have been established for depot maintenance cost accounting purposes. All other labor is indirect costs.

(2) Direct labor-production is that labor directly associated with the maintenance production process (that is, production operations that are performed in sequence, have easily recognizable beginning and ending points for a specific production function, and normally have established time standards included on labor routing sheets). Operators of heat treating, plating, and painting equipment are included in the definition of maintenance production processes. Material handlers who deliver and pre-position repair parts and supplies for subsequent use are excluded from "direct labor-production," but should be charged

as "direct labor-other," if feasible rather than indirect labor.

(3) Direct labor-other is that effort that would not be performed except for the existence of the specific job order requirement but does not involve "hands on" production of the maintenance workload. For example, "pre-shop analysis" or "examination and evaluation" that determine which maintenance operations are necessary, final testing that can be allocated to only one job order, and the engineering effort required to lay out the technical requirements for performance of special maintenance operations on a specific job order are examples of "direct labor-other." Engineering efforts that benefit the maintenance activity as a whole, such as manufacturing engineering or equipment maintenance engineering, are not examples of "direct labor-other" but rather examples of indirect labor.

(4) Allocate costs incurred for the same purpose in like circumstances consistently. Charge only direct employee functions as direct labor. It is not a matter determined by ease of identification or significance. "In-like circumstances" governs the distinction between work that benefits job orders directly related to depot maintenance and work for other functions. The work for other functions may be direct to that function regardless of whether it is direct or indirect regarding depot maintenance. Examples are--

(a) Planning is normally an indirect function and all of these costs are allocated to all maintenance direct job orders as maintenance indirect expense. If a special depot maintenance job order requires a full-time planner for a long period of time, the planner's time cannot be charged as direct cost to the job order unless all of the planner's time is normally charged as direct cost to the job orders worked on. If the special job order is not for depot maintenance, but is for a separate function or another activity where costs are financed with other than maintenance funds, then the planning costs are based on hours worked and direct material used, if any, and on an appropriate share of the planning department's within-shop overhead as well as of the activity's general and administrative and base operations overhead. In this case, the planner's time equals direct hours worked on the non-depot maintenance job order.

(b) Crane operation that benefits more than one cost center is normally an above shop overhead function. Therefore, the cost of all crane operators is an indirect cost. A direct cost center, however, may have a dedicated crane used solely for work in that cost center. When this crane is in operation, the costs can be charged directly to a job order. In this case, a single crane operator can charge time worked both as direct (when at the dedicated station) and as indirect (when operating other cranes).

(5) Classify as direct employees only those

employees assigned to direct cost centers who consistently meet the direct labor criteria. Direct employees must charge their time worked to specific job orders. Direct employees must charge time spent on administrative training, union meetings, and awaiting work because of parts shortages or machine breakdown to indirect job orders.

(6) All employees not classified as direct are indirect employees. Indirect employees, such as supervisors and clerks, may be assigned to direct cost centers. Indirect employees, when doing their normal jobs, in like circumstances, may not charge their time to a specific direct job order. An indirect employee assigned to an indirect cost center may be loaned to a direct cost center and perform as a direct employee. Charge this time as direct labor. When costs are to be charged to a non-maintenance function, or to another activity, the indirect employees are treated as direct.

(7) First line supervision is the level immediately over the direct labor workers. This is an official supervisory position and the labor costs are to the indirect cost of the cost center supervised. Work leaders, team leaders, and other subordinate working job controllers are not first line supervisors. First line supervisors may be borrowed and used as direct labor. When this occurs, the time of the first line supervisor is direct labor and not charged to overhead.

(8) Borrowed or loaned labor procedures are:

(a) When an employee is temporarily transferred from one cost center to another within a depot maintenance activity, this is borrowed or loaned labor. The gaining cost center will account for the labor hours. Both the gaining and losing first line supervisor will ensure that loaned employees are not charged twice.

(b) When employees are temporarily assigned to the depot maintenance activity without payment or reimbursement to the activity to which the employee is permanently assigned, the costs are treated as other direct costs unfunded. Hours worked under such an arrangement are not direct labor hours. When employees are temporarily assigned from the depot maintenance activity to other activities, they are not costed as maintenance expense.

d. Direct materiel.

(1) The cost of direct materiel is charged to direct job orders when the materiel is issued to an item receiving depot maintenance. It is not charged to direct job orders (work authorization) at the time materials are ordered from the source of supply or when delivered or set aside for future use. Materiel will remain in inventory until charged to job orders.

(2) Determine cost repairable exchanges as follows:

(a) Army procurement appropriations exchangeable items (such as components, assemblies, or subassemblies), are requisitioned from supply

sources to replace unserviceable economically repairable items removed from the end item and returned to the U.S. Army supply system during depot maintenance. Account for these items as unfunded direct materiel costs. The net materiel cost of an exchanged item charged to the job order will be the average cost to repair the item removed. It does not matter whether a new or repaired item is actually installed, or whether the item removed is later repaired for the supply system. Determine the unit "average-cost-to-repair", computed as "total cost" (funded and unfunded), each year for each exchangeable item. For prompt response send requests for unit repair costs of exchangeable items not listed in the bulletin to Commander, Depot Systems Command, ATTN: AMSDS-M, Chambersburg, PA 17201-4170. Each year determine a world-wide average of contract, interservice, and in-house unit costs. Base these costs on the most recent fiscal years' cost experience, or engineered estimates when there is no previous cost experience. Record and report the net materiel cost of exchanged items separately. If an exchangeable item is not economically repairable, base the cost of replacement on the current standard supply catalog unit price. Report as unfunded costs.

(b) This costing policy applies to depot maintenance performed in organic and contractor facilities. It also applies to depot maintenance by other military services under Interservice Support Agreements (ISSA) when the U.S. Army provides Government-furnished items on an exchange basis. However, this does not apply to work done by the U.S. Army for U.S. Army National Guard and Reserves, and other military services. Bill the materiel exchanged or missing to the customer and account as funded costs. This excludes the cost of exchanged or missing stock fund parts that are determined by established stock fund procedures and accounted for as funded costs.

(c) Exchange economically repairable items or components through the supply system when--

1. Directed by the customer or commodity command because of excess stock.

2. The depot maintenance activity does not have the capability and mission to repair or rebuild the component.

3. It is a proprietary item.

4. Repair or rebuild would cause excessive delay in producing the higher assembly or end item. Excessive delay is component processing time which is equal to or greater than the normal repair cycle of the higher assembly or end item.

5. Repair or rebuild would require set up, processing, production line set up, engineering, or training and would not be an economical production quantity.

(3) Charge the standard catalog price (acquisition

cost if not a catalog item) to the job order for all missing "exchangeables" since they cannot be exchanged. Report the cost of the missing exchangeable item to the customer as a separate cost element.

(4) Exchange rather than repair all items that are in long supply. Cost Army procurement appropriation items according to (b) above. Sell stock fund items to depot maintenance activities at a reduced price based on "average-cost-to-repair". The customer or commodity command will inform the depot maintenance activity of the long supply items to be used instead of repair when each work authorization is issued.

e. Indirect materiel. Charge this cost to "within shop overhead" when issued to the direct work center that will use the materiel. The dollar value of on-hand indirect materiel should not exceed the average monthly indirect materiel charged to the cost center for the preceding year. This materiel is considered shop stock, bench stock, floor stock, or bin stock. Do not confuse this type of stock with stock issue points that serve several cost centers or an entire maintenance building. Stock issue points must maintain full inventory accountability under general ledger control and normal supply manager rules.

f. Customer furnished materiel.

(1) Customer furnished materiel includes materiel furnished by customers in the depot maintenance work as specified in the Depot Maintenance Interservice Support Agreement (DMISA). The customer determines cost and direct accountability. These costs are based on current standard catalog price or acquisition price for non-catalogued items. Also, determine cost for repairable exchanges and missing components per paragraph 26-8 d.

(2) Cost customer-furnished materiel as an unfunded direct materiel cost. The customer will direct the disposal of leftover materiel when the job order is completed. Debit operating materials and supplies and credit equity for transfers-in from others without reimbursement for materiel abandoned by the customer.

g. Materiel returns. Credit "used materiel" returned to the depot maintenance inventory to the job order on which charged. If the job order has been closed, credit it to indirect maintenance expense. Hold the materiel in the inventory account until it is issued on another job or is excess to the needs of the depot maintenance activity. If the item is excess, return it to the supply system. If credit is not granted--

(1) For materiel not identified with a specific job order, charge it to maintenance, indirect maintenance expense for the cost center from which it was turned in and to which it was originally charged.

(2) For materiel identified with a specific job order, charge it to that job order until the cause for nonuse is determined. If the customer changed

specifications, charge the cost to a separate job order for reimbursement, not to the job order that covers the maintenance work. If the activity overbought, charge to the maintenance above shop overhead.

h. Headquarters general and administrative expense. Allocate HQ USAMC expenses to depot maintenance activities as follows:

(1) Allocate cost based on the beneficial or causal relationship between supporting and receiving activities. Allocate expenses directly to the activities as much as possible. Group total command expenses in logical and uniform expense pools and allocate as stated in subparagraph h.(2) below. These allocations will reduce as much as possible the amount of residual expense (those of managing the command as a whole). Allocate these residual expenses as stated in subparagraph h. (3) below. No activity will have an indirect cost allocated to it, either through a uniform or residual expense pool, if other costs for the same purpose have been allocated directly to it or any other activity.

(2) For groups of command expenses--

(a) Allocate centralized service expenses of a command to its activities based on the service furnished or received. These centralized services consist of specific functions which, if it were not for the command, would be performed or acquired by some or all of the activities individually. (Examples are centralized personnel administration and data processing functions, including central design activities).

(b) Distribute the expenses of a command for staff management or policy guidance, which are major and a part of total command expenses, to the activities that receive most benefit over a base. Staff management or policy guidance is provided to activities based on the overall direction or support operations such as reclamation, accounting, and engineering. (See subparagraph (c) below.)

(c) Distribute line management expenses only to the particular activity being managed or supervised. If more than one activity is managed or supervised, distribute the expense based on the total operation. Line management consists of managing or supervising an activity or group of activities.

(d) Distribute expenses or accruals made by a command for its activities directly to activities to the extent that all such payments or accruals of a given type or class can be identified with specific activities. Central payments or accruals are those which, except for some activities, would normally be accrued or paid for by the individual activities. (Common examples are payrolls and retirement costs). Allocate such types of payments or accruals which cannot be identified specifically with individual activities to benefiting activities. Use an allocation base that represents the factors on which the total

payment is based.

(e) Distribute as residual expenses the expenses of a command not identifiable with specific operations or activities (subparagraph h.(3) below).

(3) Distribute residual expenses as follows:

(a) All command expenses not distributable as above are residual expenses. Typical residual expenses are those of the commander, the director of resource management (DRM), the counsel (judge advocate), and any staff not identifiable with specific operations of activities. Allocate residual expenses to each activity under a command. Use the ratio of activity payroll hours to total payroll hours (military and civilian) of all activities under the command or higher headquarters.

(b) When an activity consistently receives much more or less benefits from residual expenses than shown by the allocation (subparagraph h. 3(a) above), charge directly to the activity and exclude its payroll hours from the base.

(c) Account for allocations of command expense as unfunded general and administrative expenses at the maintenance activity.

i. Special requirements.

(1) The depot maintenance quality assurance (QA) organization is a distinct indirect entity. It may charge labor as direct or indirect based on the following:

(a) Charge QA functions not economically identifiable with a specific job order to an above shop maintenance overhead job order.

(b) Charge QA functions in random quality sampling, technical and engineering evaluations, and analysis reporting on defective repair to an above shop maintenance overhead job order.

(c) Classify and report labor costs for inspections and tests to determine work requirements. Classify and report pre-shop analysis, initial evaluation and inspection, and pre-inspection or shake down inspection as direct labor-other.

(d) Classify and report as direct labor-other, final inspections and tests occurring after maintenance is complete.

(e) Classify and report operational inspections and tests during maintenance, to determine condition and to make adjustments, as direct labor-production.

(f) Do not charge supervisors, clerks, and other QA administrative support personnel to specific direct job orders unless loaned and used as direct labor.

(2) "Backrobbing" (see the Glossary for definition) is only allowed to prevent serious work stoppages. Charge labor as follows: Charge the removal and reinstallation from the losing end item of a "backrobbed" part or component to above shop overhead when it is costly. Charge the catalog price, acquisition cost, or average cost to repair the item that was "robbed" to the benefiting job order with an equal credit to the losing job. Charge the labor cost to install the "robbed" part, component assembly or

subassembly to the benefiting job order as normal direct labor production.

(3) Items are cannibalized when directed by the item manager at the National Inventory Control Point (NICP.) Return items obtained through cannibalization to the supply system. The item manager will issue a funded reimbursable order. Submit the order with a "save list" of items returnable in the supply system.

(4) Calibration costs are charged as follows:

(a) Account for all costs (funded and unfunded) of calibrating test and measurement equipment used by depot maintenance activities as maintenance overhead expense to the applicable cost center.

(b) At those installations that have a technical calibration labor force included in their approved manpower authorization (for example, mobile calibration team), charge the cost of calibrating that specific installation's depot maintenance operating equipment to maintenance overhead expense.

(c) Cost of calibration services performed by the above calibration labor force for any other activity is on a reimbursable basis.

(5) In general, issue a separate customer order to the performing activity for modification work. When modification is with maintenance, the following applies--

(a) Charge direct modification as modification.

(b) Charge labor cost for services such as disassembly, test, repair, inspection, rebuild, replacement, and servicing that are a normal part of overhaul to the overhaul functions. Charge direct labor as modification only when it is peculiar to that task.

(c) Charge modification labor costs to the job order for overhaul or other maintenance functions when the amount of modification labor is considered insignificant and will not distort the job order standards.

(6) Charge program automatic test equipment and numerically controlled machines to the nearest indirect cost pool to which assigned. For example, if numerically controlled milling machine "A" is assigned to and operated with machine shop "B", then the programming cost should be charged to the within shop cost pool for machine shop "B". Charge programmer's time to the shop getting the service.

(7) Charge machine tool set-up time to the benefiting job order. Set-up time is normally part of direct labor and not controlled separately. However, when a lot of time is spent on a set-up that benefits more than one job order, then it is allocated to all benefiting job orders. Delay of other workers waiting for a set-up to be completed is indirect expense of the workers' cost center.

(8) Account for defective work and spoilage as follows:

(a) Defective work and spoilage applies to--

1. The cost of additional materiel and labor needed to remedy or correct imperfections arising from normal production and bring to standard specifications.

2. The cost of items so impaired or spoiled, beyond that which is normal, that they must be taken out of process.

3. The cost of redoing "guaranteed" work.

4. The cost of reinspecting components and assemblies.

(b) Defective work and spoilage is a normal direct charge when a certain amount of spoilage or defects are inherent and beyond the operator's control.

Examples are--

1. Acceptable reject rates of castings, welds, and brazings.

2. Minor realignment or refitting of units that are improperly finished or aligned by shop or manufacturer.

3. Resolder of connections.

(c) Charge defective work and spoilage to the benefiting job order as direct cost when the amount of the direct labor hours are determined to be insignificant. However, account for the cost to correct major defective work and spoilage as indirect operations overhead expense as follows:

1. Use within shop overhead job order when the specific responsible cost center can be clearly identified.

2. Use above shop overhead job order when one responsible cost center cannot be clearly determined or when the amount is less than the cost of the investigation.

(9) Credit net proceeds from the sale of scrap to the generating activity and account for as follows:

(a) Credit specific job orders for estimated net proceeds from the sale of "ripout materiel" removed during work on vessels, aircraft, and weapons.

(b) Credit proceeds from other scrap to a general and administrative expense account. Debit or credit this account for the difference between estimated proceeds from the sale of "ripout materiel" and actual proceeds when the difference is insignificant or the job has been closed.

(c) The Defense Logistics Agency's (DLA) De-fense Reutilization and Marketing Service (DRMS) has approximately 206 Defense Reutilization and Marketing Offices (DRMO) located world-wide at various military installations. These DRMOs will account for the proceeds from sale of scrap generated from condemned carcasses and from sale of other disposable property. Do not enter these proceeds into the accounts of the DBOF-DMA.

(10) Charge training as follows:

(a) Charge the cost of training, performed for the depot maintenance activity's benefit, to above shop maintenance expense. These costs include all elements of cost, such as pay of trainees, travel,

transportation, per diem costs, pay of teacher, tuition, and materials. Training includes planning the course, instruction, attendees' costs, and related support.

(b) Charge the training of employees requested by activities outside of the maintenance activity to customer order (technical assistance).

(c) Charge the hours of on-the-job training in actual production as direct labor to the related job order. Observation and non-contribution are charged to above shop maintenance expense.

(d) Conduct maintenance support training at depot maintenance activities or elsewhere using depot maintenance personnel. When involved in such training, separately charge depot maintenance personnel hours worked, material consumed, and related indirect costs to direct expense on a customer order for new equipment training.

(11) Charge all technical assistance cost to customer orders identified with WPC "MO". These costs include direct labor, direct material, and all overhead applicable to the employee's assigned work center. Depot Maintenance Technical Assistance (DMTA) is a specialized service provided by qualified depot technicians, which can be accomplished in several ways depending upon the requirement. This assistance may include instruction, non-maintenance repair or support processes for military equipment, special U.S. Army National Guard or Reserve units, training foreign nationals using qualified depot maintenance personnel to provide technical information, and instructions or guidance. This assistance may also include specific work requiring special skills, tools, and so forth, for performing operational activities, other maintenance organizations, or foreign governments.

(12) Cost of manufacturing is not a maintenance expense. Do not charge the element of cost used in manufacturing (direct labor and raw material) directly to a maintenance program. To identify separate manufacturing and maintenance cost, follow the accounting procedures below.

(a) Cost items manufactured for wholesale inventory stock to funded customer orders issued by the item manager.

(b) Manufacturing is permitted when the needed item is not in the supply system or cannot be procured commercially. This includes an item on back order (due-in) that will not be received in time to complete a critical maintenance job.

(c) Maintenance job orders should be charged for the manufacturing cost of items they use or request.

(d) Transfer all manufactured items to inventory. The item is then available for issue to the job order that previously forecasted the requirement. The maintenance job order will account for these as material costs.

(e) Record the manufactured items as inventory at the contracted unit price (standard or estimated) and

not at the actual cost to produce. Account for differences between the contract price and actual cost as a gain or loss.

(f) Assign all line items manufactured for depot inventory to an individual or bulk manufacturing job order. The line item value is based on a dollar amount approved by the depot maintenance activity's higher headquarters.

(13) Charge monetary awards paid to employees, such as suggestion awards, sustained superior performance, and special act awards, as a general and administrative expense. Account for quality step increases as normal labor expense.

(14) Justify and document cost transfers by the maintenance manager. Do so when these cost transfers are approved by the depot resource manager, when material and other direct costs exceed \$500, or when 30 or more direct labor hours are transferred. When a customer changes a customer order number, necessitating the assignment of a new job order, the chief cost accountant may approve the cost transfer. A cost transfer is the transferring of recorded cost from one job order to another.

(15) Costs associated with necessary cancellation or reduction actions are not chargeable to completed units or to indirect expense but are charged to the customer. (Examples of such costs are planning costs, non-creditable direct material, special test equipment, necessary preservation-packing-shipment effort, and any additional administrative effort caused by the cancellation or reduction.)

(16) Charge overtime premium and shift differential cost to the applicable cost center within shop overhead. For example, a worker who earns \$8 per hour base pay (straight time) works overtime at \$12 per hour, charge only the difference between base hourly rate and overtime rate of \$4. Charge overtime to the customer order only when the job worked is clearly responsible for the incurrence of the cost. Clear responsibility is established when the depot maintenance activity agrees to use overtime to meet an upgraded customer requirement.

(17) Charge idle plant capacity costing as follows:

(a) Document idle, or partially idle, depot maintenance facilities (including equipment) proposed for retention to meet mobilization requirements per AR 700-90 and submit to the Director, Defense Finance and Accounting Service-Indianapolis Center, ATTN: DFAS-IN/AM, 8899 East 56th Street, Indianapolis, IN 46249-2201 for approval. If approved, identify and fund the costs (direct and indirect) per DA Pam 37-100-FY. Do not include on a pro rata basis in customer's job order costs.

(b) If these facilities are not approved for retention to meet mobilization requirements, but are to be retained for future depot maintenance, charge to the appropriate overhead account and apply to the job

order.

26-9. Depot maintenance at non-depot maintenance activities

a. General. Where depot maintenance work is performed at non-depot maintenance activities, the detailed cost accounting prescribed above is not required.

b. Reporting requirements. Account for and report workload assigned to activities other than depot maintenance as follows:

(1) Depot System Command (DESCOM) will authorize the work. A reimbursable amount will be negotiated with the activity.

(2) The performing activity bills the appropriate activity under the negotiated agreement. DESCOM treats the program as a no-bill transaction.

(3) The central agency reports the amount paid as Central/Interservice/non-depot maintenance activity cost (field 36), on the RCS DD-M(A) 1397 report (see Chapter 30). The report will contain the item worked on, work group, and work breakdown structure.

26-10. Accounting for special facilities engineering projects

a. Minor construction, alteration, maintenance, and repair projects subject to statutory or administrative limitations require project accounting. The following types of projects are covered by this policy:

(1) Minor construction projects that are subject to AR 415-25 (Facilities for Research, Development, Test and Evaluation) and AR 415-35 (Minor Construction).

(2) Maintenance and repair projects subject to the approval authority limitations in AR 420-10 (Management of Installation Directorates of Engineering and Housing), current statutes, directives, or other Department of the Army (DA) issued policies.

(3) The following projects being performed by the installation under the Family Housing Operation and Maintenance program or the Family Housing Construction program subject to limitations and approval authority in AR 210-50 (Family Housing Management) and other DA policy directives:

(a) Maintenance and repair projects.

(b) Alterations and addition-expansion-extension projects.

(c) Other minor construction projects.

b. The installation commander is responsible for financial control over projects subject to statutory and administrative limitation.

c. The installation DRM will--

(1) Determine the detail level (below the level prescribed in DA Pam 37-100-FY) at which the finance and accounting officer/defense accounting officer will maintain separate accounts relating to

special facilities engineering projects. See Table 26-7 for rules on setting up project accounts. The project level is dependent on--

(a) Specific DA requirements.

(b) The sophistication of accounting systems.

(c) The need of the installation facilities engineer, and the finance and accounting office's (FAO's)/defense accounting office's (DAO's) capability of meeting the facilities engineer's requirements.

(d) The facilities engineer's capability to maintain project cost accounting records.

(2) Develop accounting systems, procedures, and reporting requirements. See Table 26-8 for procedures on accounting for cost elements.

(3) Correlate the control records maintained by the FAO/DAO and those maintained by the facilities engineer and the family housing manager (if any).

(4) Conduct internal reviews (see AR 11-2, Internal Control Systems and Appendix I) of operations to determine--

(a) Compliance with accounting policies and procedures.

(b) The adequacy and effectiveness of the financial controls.

(c) Compliance with approval authorizations and project cost limits.

d. The installation finance and accounting officer/defense accounting officer will--

(1) Determine the availability of funds for incurring commitments or obligations for goods and services to be used on special facilities engineering projects. For installations operating under a decentralized fund control system, see paragraph e below.

(2) Perform accounting for projects (below the DA Pam 37-100-FY level) under applicable guidance and directives.

(3) Post cost incurred for minor construction projects to the "Construction in Progress" general ledger account. When the project is complete, transfer the costs to the fixed asset or expense account.

(4) Report in a timely manner to the facilities engineer costs incurred on each project. The DRM, the finance and accounting officer/defense accounting officer, and the facilities engineer will jointly set reporting timeframes.

e. The facilities engineer performing or supervising the performance of the work will--

(1) Determine the availability of funds for incurring commitments or obligations for goods and services to be used on special facilities engineering projects. This applies only on installations operations under a decentralized fund control system.

(2) Advise the installation finance and accounting officer/defense accounting officer (in writing), on a timely basis, of newly approved projects and the account code designations assigned to them. This notice is the basis for setting up project accounts.

(3) Control costs to be sure that the project limits are not exceeded.

(4) Maintain financial records needed to support the project.

f. The installation Director of Engineering and Housing (DE), in coordination with the facilities engineer, will be sure that the estimated cost of orders placed with the facilities engineer will not exceed limitations imposed on family housing work orders.

26-11. Cost finding

a. *General.* This section provides a cost determination method, cost finding, which is to be used when a job order or a process cost accounting system is not part of a U.S. Army component's formal accounting system. Cost finding is used to estimate the actual costs incurred to provide a service, produce a product, or to obtain cost information for periodic decision making and information purposes. Cost finding is available for use by those U.S. Army activities that periodically provide reimbursable services or products to other U.S. Army components, DoD components, Federal agencies, or the public. Cost finding may also be necessary when the cost of an item has not been recorded in the accounting system and the item is being transferred, sold, or recorded in the accounting system for the first time. It may also be necessary when measuring productivity. Normally, an organization that operates a formal cost accounting system will only use cost finding techniques to identify unfunded costs. However, even these organizations may occasionally have a requirement to use these techniques.

b. *Standards.*

(1) *Documentation.*

(a) Before applying cost-finding techniques, develop a statement that describes--

1. The cost goals (both intermediate and final) to which cost finding techniques are to be applied.
2. The organizations involved in achieving the cost goals and the tasks performed by each organization.
3. The cost elements.
4. A plan that includes the specific cost finding techniques to be used and the criteria to be followed.

5. A description of how those techniques will accomplish the cost goals.

(b) Retain this statement and the work papers used to accumulate cost elements for the time required for documents used to support billings to the public.

(c) A case study is available that illustrates the application of the material discussed in this paragraph. Discussions in this paragraph are at the micro level. When a different approach might be usable to develop necessary data to establish the costs associated with a different cost goal (at the macro level, for example), present information on the

alternative approaches. Copies of the case study may be obtained from the Director, Defense Finance and Accounting Service-Indianapolis Center, ATTN: DFAS-IN/AM, 8899 East 56th Street, Indianapolis, IN 46249-2201.

(2) *Identification of cost objectives.*

(a) Cost goals are functions or work units for which management decides to identify, measure, and accumulate costs. Cost goals should be in sufficient detail to describe the specific function or product to be costed.

(b) Pay careful attention to the identification of cost goals. When the cost goal is identified at a macro level (for example, an organizational level), the amount of effort required to determine the relevant costs and the associated quantitative data should be less refined than if the cost goals were identified as being at the micro level (a specific function or operation). At the macro level, it is possible that the accounting system through the use of coding structures and the general ledger accounts, can provide much of the required financial data to establish relevant cost information. At the micro level, it may be necessary to use one of the methods described in subparagraph (7), below, to determine the time required to identify the cost goal and to develop cost information.

(c) In addition, the classification of organizations as either direct (actually involved in performing the cost goal) or indirect (performing as a support organization) is dependent on identifying cost goals. At the macro level, classify all staff organizations as indirect, and classify, generally, all line organizations as direct. At the micro level, it is conceivable that a staff organization, or one of its elements, may be classified as a direct organization. The distinction between the macro and micro levels is an important consideration in complying with Office of Management and Budget (OMB) productivity requirements. Establishing a cost goal is a management decision essential to the proper application of cost finding techniques to the cost goal.

(d) For cost finding purposes, identifying and describing cost goals are important. Within the DoD, cost finding techniques will probably be used to compare costs of different organizational units or operations performing the same particular operation. (For example, the costs to issue a check at a FAO/DAO might be compared with the same costs at other FAOs/DAOs). In such situations, cost finding techniques are used to identify more efficient methods of performing the same task. Cost goals may also be used to compare organizational efficiency. For example, the costs for an intermediate goal, such as processing a personnel action at a personnel office, might be compared with other personnel offices. Cost finding may also be used to

determine the costs to be billed to non-DoD customers and for productivity measurement purposes.

(3) Identification of organizations involved.

(a) After cost goals are identified, identify the organizational units contributing resources to the cost goal. Generally, the units will be within the activity itself.

(b) The initial task is to classify the installation level organizational units as direct or indirect. A unit that is responsible for actually performing the work is a direct unit. A unit that provides support or performs an administrative function is an indirect unit. Take care to assure that organizational units are not classified as both direct and indirect for the same cost objective.

1. The process of classifying an organization as either direct or indirect may change as different cost goals are identified and analyzed. Attempts to retain the same classification for different cost goals may result in erroneous cost determinations, thus leading to misleading and faulty management decisions.

2. Identify indirect organizations using the criteria cited in paragraph 26-1. An organization that is classified as indirect will not always be recognized in the computation of costs for a final cost objective. At the macro level, recognize staff organizations generally as an indirect organization and the related costs allocated among direct organizations. At the micro level, materiality and usefulness will be the determining factors.

(c) The organizational units can be classified through use of an interactive process or through the use of organizational charts or tables, depending on the final cost goal. The interactive process consists of a series of questions designed to establish the relationship that each organizational unit has with the product or service for which cost finding techniques are being developed. First, identify the organizational units directly involved in the process. Next, identify the organizational units providing indirect functions to the direct organizational units. This second category is also identified and arrayed through an interactive process consisting of a series of questions designed to establish the relationship of supporting activities to direct line organizations. Repeat this procedure until all organizational units are classified as direct or indirect for all identified cost goals.

(d) In order to determine which organizations are involved, it is necessary to identify the flow of actions related to the cost goal and the related intermediate cost goals.

(e) Organizational activities involved in a particular cost goal or interim cost goal can cross organizational lines of responsibility.

(4) Identification of cost elements.

(a) An important aspect of any cost finding technique is identifying the direct and indirect cost

elements that apply to the product or service. Both the direct and indirect activities may have the same cost elements. The difference is in the allocation of all applicable indirect costs.

(b) Assure that all cost elements are identified. The first step is to identify all possible cost elements and then to determine which cost elements are significant. This can be achieved by using the operating program general ledger expense accounts. After the potential applications are identified, decide which cost elements warrant separate considerations.

(c) After developing the statistical cost data, the individual or group responsible for applying cost finding to the cost goal can make a decision on the significance of each cost element in the final determination. It is important to remember that the information is, at this point, only raw data. Decisions must be made on the relevance and materiality of each cost element to the cost goal. Materiality is associated with whether excluding the data could distort the computed value for the final cost goal.

(5) Application of prescribed rates.

(a) The purpose of using cost finding techniques is to assume that all cost elements are addressed in computing the final cost. When the purpose is the preparation of a report for an agency or that establishes the cost associated with the Security Assistance Program, follow the guidance in DoD 7000.14-R (DoD Financial Management Regulation), Volume 15 (Security Assistance Policy and Procedures) to ensure that all costs are considered.

(b) Apply the following rules when determining the individual costs of intermediate and final cost goals:

1. Obtain civilian personnel labor costs from pay scales issued by the Office of Personnel and Management (OPM). Compute labor costs using "step 5" of the applicable pay grade for GS series personnel. For Wage Board employees, use step 5 of the applicable pay grade. Use only productive time for amounts included as direct labor costs.

Productive time is the time actually used to perform the function. Consider all other time as indirect labor time and include in overhead. Actual costs may be used, if known, provided appropriate documentation is available to support their substitution.

2. Compute civilian personnel benefits costs using the rates contained in Chapter 37.

3. Cost military personnel costs using the rates for each military grade as published annually by the Director, Defense Finance and Accounting Service-Indianapolis Center, ATTN: DFAS-IN/AM, 8899 East 56th Street, Indianapolis, IN 46249-2201. Compute military benefits at rates prescribed in Chapter 37.

4. Analyze both military and civilian labor for productivity. Record productive labor (that is actually chargeable to jobs) as direct labor. Record indirect labor (that cannot be charged to a specific job) as

overhead.

5. Determine direct material costs using standard prices unless the actual cost of the materiel is known.

6. Determine other costs that can be directly related to the cost goal by using documents such as vendor invoices, travel vouchers, and so forth.

7. Base indirect costs on a mathematical proration of overhead to the cost goal based on factors such as the ratio of direct labor costs for the cost goal to total labor costs for the installation.

8. Calculate depreciation expense for depreciable real and personal property using useful life when the acquisition cost, book value, or estimated fair market value equals, or exceeds, the investment threshold used by the Congress for appropriating DoD procurement appropriations. Useful life refers to the economic usefulness of an asset and shall be based on actual or planned retirement or replacement practices, not "standard" tables of asset lives. The asset's useful life shall not exceed 40 years.

(6) Identification of source documents.

(a) Before the values for each type of expense can be determined, identify the source documents for the required data and obtain copies. In addition, it is necessary to determine the quantities of documents involved. This is especially true if the cost goal is to determine average unit costs for a certain action.

(b) When the final cost goal is to determine the cost of performing one single event, identify the specific documents involved. There are times when the cost goal is broader. An example is determining the average cost of issuing checks without regard to whom they are issued. At such times identification of the specific documents involved may not be as significant as the operating costs (including the materiel and supplies used) of the organizational units directly involved in the process.

(7) Selection of the cost finding technique. The development of a final cost for the cost goal can be made using one of several different techniques or a combination thereof. The decision as to the method used often depends on the purposes for which the cost goal has been established. Those cost goals established to determine costs to meet a statutory or a recurring requirement could require the use of cost finding techniques with a higher degree of precision than those cost goals established to meet an internal management need.

c. Cost finding techniques.

(1) Observation.

(a) Use this observation technique when the specific effort to be costed or a similar effort is in process. The first step is to complete the requirements statement required by subparagraph b, (1), above. The observer then physically follows the product or service through the various performing organizations, documenting the following:

1. Various events incident to performance.
2. The grade levels of personnel directly working on the effort.
3. The length of time spent on the activity.
4. Direct materiel used.
5. Indirect materiel used.
6. Types of support received from other organizational units.
7. Any other factors that have an impact on the cost of producing the product or performing the service. A traditional flow chart of the entire process may be helpful in organizing, visualizing, and understanding the particular process under review.

(b) The observer then lists all of the identified cost elements and computes the cost of each element using the general ledger expense accounts.

(c) Document any other assumptions so users of the resulting information have a better understanding of the process used.

(2) Statistical sampling.

(a) Use this technique when there is a large volume of similar work being performed on a continuous task basis. An example of the use of this technique is packing, crating, and handling costs incurred at the depot level. Select a random sample of items when it is initially placed into the performance cycle. Record the organization, pay grade, length of time involved, and type and quantity of materiel or supplies used for all personnel who come into physical contact with the items. Return completed tags to the personnel conducting the study to ensure that all tags have been returned and properly completed.

(b) Assign a cost to all of the elements identified to the cost goal.

(c) Annotate resulting cost estimates to show the confidence level of the resulting estimate within a specific range.

(3) Independent appraisal. Use the independent appraisal technique when the cost determination is made after the cost goal has been completed, and there is no similar product being produced. Normally, this is done by an engineer or someone who is an expert in the production process. Under this procedure, make a list of all resources involved in fabricating the product or performing the service; then analyze each resource to establish a reasonable cost. The total cost of the applied resources represents a reasonable estimate of costs incurred in the cost goal.

(4) Commercial costs. Use this technique with incidental activities carried out during a mission requirement. In these circumstances, using the normal full cost to the production of a product or provision of service would not be representative of the incurred cost. (An example would be transporting a disabled foreign aircraft to a repair facility incident to the performance of its normal mission. In this case, a determination of the commercial charge to

transport the disabled aircraft might be more representative of the allocable cost incurred.)

(5) *DELPHI technique*. Use this technique when more traditional cost estimation techniques cannot be applied to a cost objective. It is probably the least precise estimating technique, but one that is still useful.

(a) This technique uses a series of estimates made by a group of experts. These estimates are refined as later estimates are made. (For example, five construction experts might be given the task of estimating the costs associated with a new construction technique. These experts would be given the initial parameters of the project such as location, required specifications, geographical, environmental, time, political constraints, and other data at the time of project initiation. Each group member would then develop an initial estimate of component costs and reconvene to discuss their individual analyses. After discussion, each expert would be asked to refine their estimate based on what was learned at the meeting. The evaluation process would be repeated by each participant to arrive at a revised estimate. The process would be repeated as often as necessary, until the group achieved consensus that the estimate at hand is the best available.)

(b) This technique is probably more useful in determining what new product or service should cost rather than determining the actual cost of an existing product or service. However, some of the principles involved may be helpful.

(6) *Memorandum records*. This technique is an informal method for gathering cost data and used only in those cases when the value of the cost data is of little significance. It involves the preparation of a memorandum documenting estimates of costs for a specific product or service. Do not use this technique when significant decisions are to be based on the cost estimates derived or when other more accurate methods are available. It is useful as a cost accumulating tool for those low priority, low value projects or products when it is known that some cost data may be required in the future. However, in such cases, a traditional cost accounting system is too costly.

(7) *Analysis of responsibility center/cost center obligations*. This technique can be helpful in those cases where good organizational costs are available through some responsibility center or cost center organizational structure. Costs associated with the center can be distributed to a product or service of the center as a way to estimate at least part of the cost of that product or service.

(8) *Combination of cost finding techniques*. Nothing in this paragraph prevents the use of more than one of these techniques, if such a use results in a more accurate estimate of the cost information

requirement. These techniques can also be used to augment data that is generated by a conventional cost accounting system. You must remember what the cost data requirement is and when to generate or utilize the cost accumulation system or method that gives the highest quality cost data at the lowest cost. A cost finding technique that is not described here may also be used, as long as it conforms with the general requirement for reliability in relation to the value of the cost data.

26-12. Appropriated fund (APF) support to morale, welfare, and recreation (MWR) activities

a. General. U.S. Army MWR activities are the social, recreational, and welfare programs and services provided on installations for the comfort, pleasure, and mental and physical improvement of authorized DoD personnel. The policy in this section applies to all U.S. Army and Joint Service managed MWR programs for which the U.S. Army is the reporting agent. (Examples of Joint Service managed programs are Army and Air Force Exchange Service (AAFES), Stars and Stripes, post restaurants, and Civilian Welfare Funds (CWFs).)

b. Management of the MWR program.

(1) The U.S. Army Community and Family Support Center (USACFSC) is the U.S. Army's MWR program manager. USACFSC establishes guidelines for authorized APF support, coordinates actions to ensure APF support doesn't exceed U.S. Army's budget, and provides the consolidated MWR Financial and Personnel Management Report annually to the Office of the Secretary of Defense (OSD).

(2) DFAS-IN tracks execution related to MWR and must be sure that MWR's APF execution and personnel strength reports, which highlight APF support to MWR programs, are provided to USACFSC.

(3) MACOMs will ensure that consolidated MWR's APF execution reports are submitted to DFAS-IN and consolidated personnel strength reports are submitted to USACFSC. They will also be sure that MWR's APF ceilings, if established, are not exceeded.

(4) Installation DRM personnel will control, account for, and report the appropriated funds used in support of MWR programs.

(5) MWR program managers and resource management personnel at all echelons must work together to control execution related to MWR and to be sure of the accuracy and full disclosure of APF support to MWR programs.

c. MWR ceilings (if established). The U.S. Army's total APF operational support provided to MWR activities and its total number of military personnel assigned to MWR activities cannot exceed the ceilings provided by OSD. Likewise, MACOMs and installations cannot exceed their share of the MWR

dollar and manpower ceilings. Doing so may result in a violation of the anti-deficiency statutes depending on how the ceilings were issued. The dollar ceiling pertains to all non reimbursable operating support provided to MWR activities. It includes all appropriations, except Military Construction, Army (MCA), providing operating support to MWR programs.

d. MWR categories. MWR activities are grouped according to their mission and ability to generate nonappropriated fund (NAF) revenue. APF support is authorized in inverse proportion to an activity's ability to generate NAF revenue. Refer to AR 215-1 (Administration of Morale, Welfare, and Recreation Activities and Nonappropriated Fund Instrumentalities) for identification of MWR activities by major MWR categories.

e. Use of Appropriated Funds (APF) for Morale, Welfare, and Recreation (MWR) programs. MWR programs may be funded with APFs, NAFs, or with a combination of both. Generally, APF support is defined as all obligations for goods or services (that is, personnel, materiel, supplies, contractual services, property, and so forth) funded by appropriated funds. (AAFES is an exception because it generates substantial revenues yet receives substantial APF support for over-water transportation.) Authorized APF support to MWR activities is prescribed in AR 215-1 APF support to MWR programs is identified as direct, indirect, and common. Descriptions of each follow:

(1) Direct support is APFs used for the support, management, administration, and operation of a specific MWR program when provided on a nonreimbursable basis. Included are military and civilian personnel, travel and transportation, utilities, rents and leases, equipment maintenance, facilities maintenance and repair, minor construction (not subject to MWR ceiling if funded by the Military Construction Appropriation (MCA)), major construction (not subject to MWR ceiling), and supplies.

(2) Indirect support is APFs used to support, operate, and maintain installation-wide functions with benefits of that support accruing to MWR programs because they are located on the installation. Other non-MWR programs located on the installation also receive benefits from this APF support. Allocate indirect support costs based on job orders, pro rata distribution of workload, standard performance distribution factors, relative usage, or other engineering, financial, or statistical methods or standards. If any of the support is provided for the sole benefit of a MWR program and is not generally provided installation-wide to other installation units, activities, or programs, it is direct support to the benefiting MWR program. Include in indirect support the following types of support:

(a) Fire, health, and safety protection and inspections.

(b) Custodial and janitorial services.

(c) Routine installation grounds maintenance (excludes golf course maintenance).

(d) Routine installation building and facility equipment repair and maintenance (excludes MWR program specific repair and maintenance).

(e) Installation-wide trash removal.

(f) Pest control.

(g) Snow removal.

(h) Communications (not related to resale).

(i) Data automation services.

(j) Audio visual usage for command and control purposes.

(k) Printing and reproduction services (not related to resale).

(l) Postage services (not related to resale).

(m) Education and training.

(n) Legal services.

(o) Veterinarian and sanitation inspections.

(p) Audit services {the Inspector General (IG), Army Audit Agency (AAA), and Internal Review}.

(3) Common support is APFs used in the direct management, administration, and operation of more than one MWR program. This includes executive control and essential command super-vision; logistical and financial management; and personnel, procurement, and accounting services.

f. Appropriated Fund (APF) Reimbursement to Nonappropriated Funds (NAP). Appropriated Fund (APF) reimbursement to Nonappropriated Funds (NAF) is no longer authorized. Effective FY 91, the only authorized method to move APF to NAF is to establish a contract through the APF procurement office where the NAF performs services for APF.

g. Accounting for APF support to MWR.

(1) Record all applicable nonreimbursable obligations as APF support to MWR. Incidental support provided on a nonrecurring basis need not be identified to MWR programs. Effective October 1, 1991, APF to NAF reimbursements are no longer authorized.

(2) Use Functional Cost Accounts (FCAs) to capture APF support (excluding MPA and MCA) for MWR programs. The FCAs for all mission, community, and family programs are identified in DA Pam 37-100-FY. While APF support to all programs must be recorded and reported, not all APF support is subject to the MWR ceiling, if established. The following guide applies in determining which programs are subject to the MWR ceiling, if established.

(a) All APF support to mission sustaining programs is subject to the MWR ceiling, if established. For unit activities, only support to unit day rooms is reportable as MWR; support to troop barracks is not considered MWR.

(b) All APF support to basic community support programs is subject to the MWR ceiling, if established.

(c) All APF support to revenue generating programs is subject to the MWR ceiling, if established. For the billeting and supplemental mission funds, only APF support related directly to the administration of the Non-Appropriated Funds Instrumentality (NAFI) business is considered MWR. For example, APF personnel performing collateral duties related to collecting, disbursing, or accounting for NAFs would be considered MWR. If less than 25 percent of available workload is devoted to the administration of the NAF, do not report as MWR.

(d) Management and staff support functions are identified by program code "R*" in AR 215-1. Functions related to alcohol and drug, Equal Employment Officer (EEO), education, and so forth are not considered MWR. Programs restricted to headquarters use--accident insurance, central investment, risk management, and employee pay and benefits--are considered MWR. However, installations cannot use these FCAs. The remaining support functions are considered APF support to MWR if directly identifiable via position description or assigned responsibilities or by assessing available workload to determine if 25 percent or more is MWR related. If the MWR workload is 25 percent or more, report a pro rata share as MWR support; if less than 25 percent, do not report as MWR. The Defense Finance & Accounting Service- Indianapolis (DFAS-IN) will spread the applicable support reported for these functions to the benefiting category.

(e) APF support to community and family programs, identified by codes "P*" and "S*" in AR 215-1, are not considered MWR support.

(3) When accounting for APF support to MWR, the following EOR descriptions apply.

(a) *Military personnel.* Account for permanent or temporarily assigned military personnel having primary responsibility for management and oversight of MWR programs. Include special duty personnel, borrowed military manpower, and so forth. When a position in a MWR activity is filled on a continuing, regular basis with soldiers each working less than 25 percent, accumulate the work-months for the reporting period, convert to full or part-time equivalents (divide work-months by 12), and report accordingly. This same rationale applies to borrowed military manpower used on a recurring basis. If borrowed military manpower is used intermittently, do not include in reports. Refer to AR 215-1 for activities authorized to receive APF military personnel support. Use the U.S. Army's annual composite standard rates for costing military personnel assigned to or used in MWR activities. The total cost is Military Personnel, Army (MPA) obligation charged to the MWR ceiling.

(b) *Civilian personnel.* Classify these costs as pay or benefits or service charges. Record personnel costs for individuals performing duties directly related to MWR citing pay and benefit EORs. Record indirect personnel costs using the MWR service charge EORs (for example, EOR 27**) provided the distribution is within the same appropriation and allotment serial number (ASN). Record the cost of Director of Engineering and Housing (DE) personnel doing repair and maintenance work on MWR facilities or equipment or other engineer support functions using the MWR service charge EORs provided the distribution is within the same appropriation and ASN. Refer to AR 215-1 for activities authorized to receive APF civilian personnel and repair and maintenance support.

(c) *Travel and transportation.* Includes costs for subsistence, commercial transportation fares, privately-U.S. Government owned and commercial-U.S. Government rental vehicles, common and contract carriers, and U.S. Government airlift, sea-lift, and other transportation or logistics support. Refer to AR 215-1 for activities authorized to receive travel and transportation support.

(d) *Rents.* Includes costs for rental of real property and equipment. When MWR activities occupy portions of rental or leased space, distribute APF rental charges based on relative square footage.

(e) *Communications.* Includes cost of communication services and equipment furnished on a nonreimbursable basis to MWR activities (including Army Air Force Exchange Service (AAFES)). Record costs using the MWR communication service charge EOR provided the distribution is within the same appropriation and ASN. (Examples of communication charges are telephone installation and services, teletype services, message transmission, and postal charges.) When actual costs are not available prior to closing the books for any given month, record an estimate based on historical usage or proportionate distribution. Adjust estimates when actual data is received.

(f) *Utilities.* Includes non-reimbursable cost of heat, light, power, water, gas, electricity, and other utility services for all buildings and facilities used entirely or principally for MWR. For buildings or facilities where only a portion of the space is used for MWR, compute costs based on estimated usage times the rate charged by the utility, DE engineered standards, or relative square footage. Refer to AR 215-1 for activities authorized to receive APF utility support. Record costs based on metered billings or other computation using the MWR utility service charge EOR provided the distribution is within the same appropriation and ASN. When actual costs are not available prior to closing the books for any given month, record an estimate based on historical usage or proportionate distribution. Adjust estimates when

actual data is received.

(g) *Printing and reproduction*. Includes costs of all common printing, duplicating, and binding processes obtained by contract provided they're not related to the sale of merchandise or services and locally developed forms unique to the internal operation of individual NAFIs.

(h) *Contractual services*. Includes costs for all services performed for MWR activities on contract or agreement not otherwise classified. Exceptions are for accounting, civilian personnel office administration, central procurement, credit card sales, and administrative support services costs. Include costs used to record ordering activities obligation when requesting work or service on an appropriation reimbursement basis. Include costs used for building, facility, and equipment repair and maintenance when incurred through private sector contracts or appropriation reimbursement. For construction performed by appropriation reimbursement, include costs of related supervision, inspection, administration, and overhead as APF support to MWR. Refer to AR 215-1 for activities authorized to receive APF repair and maintenance support.

(i) *Supplies and materials*. Includes cost of expendable items purchased for or used in providing services to MWR activities. Refer to AR 215-1 for activities authorized to receive APF supplies. For supplies or materials used in the repair and maintenance of MWR facilities or equipment, record using the MWR service charge EORs provided the distribution is within the same appropriation and ASN. Refer to AR 215-1 for activities authorized to receive APF repair and maintenance support.

(j) *Foreign nationals*. Same as subparagraph (b) above.

(k) *Equipment*. As authorized in AR 215-1.

(l) *Lands and structures*. Includes nonoperating expenses related to Military Construction, Army (MCA) funded construction projects.

26-13. U.S. Army family housing (AFH) account

a. The costing of equipment, including trucks for moving U.S. Government owned furnishings, utilized in the operation and maintenance of family housing will be affected by use of equipment usage rates. (See AR 420-17, Real Property and Resource Management). At the end of each accounting period, reimburse the operating account and charge the applicable family housing accounts. Account for such charges as funded costs to AFH.

b. Charge utility costs to the applicable family housing accounts at the end of each month. Determine the costs by meter readings, if available, or by engineering analysis based on sampling where it is not economically feasible to install and use meters.

c. Cost centrally procured furnishing charges (initially outfitting AFH or replacement) as a funded cost by the procuring activity (simultaneously with the incurrence of obligations). The receiving activity will account for subsequent issues of these family housing furnishings from installations as free issue.

d. When the labor distribution system used by the facilities engineer employs shop or productive expense rates to distribute labor costs to family housing, locally developed rates (including labor, leave, and employers' contributions only) should be developed for this purpose. Do not include other costs in these rates that must be developed in deriving post engineer rates as specified in this regulation.

e. Account for military personnel directly assigned to or performing services for family housing as an unfunded cost within the family housing account structure. Identify costs as nearly as possible to the correct item of expense and category of housing. Military labor is the only unfunded cost.

f. Certain services are furnished in support of the family housing program for which it is not feasible to make a direct charge to AFH. Charge these indirect costs of installation support activities (for example, facilities engineer office, supply activities, and finance and accounting office/defense accounting officer) to AFH as follows:

(1) Do not predetermine a percentage or amount of funds to apply to AFH for installation support services or administrative costs identified as indirect overhead. Charge family housing for indirect support costs on an incremental basis, that is, charge only for costs of the existing level of capability specifically required by the presence of family housing facilities. Thus, if family housing were serviced by a particular activity or cost center and that activity or cost center would still require the same number of personnel, do not charge indirect costs to family housing. When AFH is charged, make the charge only in multiples of one or more whole personnel spaces. It is not necessary that only one position at the specific activity or cost center be involved in the charge for a personnel space. Several people may divide this work effort. The installation commander will review and evaluate any personnel space charged to family housing at least annually to support the charge to AFH. Do not charge acceleration to recover supervision or support pertaining to these personnel increments.

(2) In the case where a service operation, such as refuse collection and disposal or custodial service, is too complex to permit ready identification of proper family housing costs, charge AFH for a proportionate share of service received on a unit of service basis. For example, charge for the number of refuse pickups and locations, or for the square feet of floor area receiving custodial service.

(3) Activities that have established shop or productive expense rates will apply the applicable rate to direct work or services in support of family housing.

(4) Do not distribute cost to AFH from those installations, administrative, or other base operations support activities or cost centers that cannot be identified as benefiting the family housing program. (For example, do not distribute costs for chaplain activities or laundry and dry cleaning services.)

(5) Base charges for indirect support furnished to family housing at DBOF installations and activities on the DBOF accounting system and procedures. The DBOF accounting system and procedures follow the principle of not applying the activity general and administrative overhead rate to family housing indirect support costs. However, charge support services furnished to family housing by functions included in general and administrative cost centers of DBOF activities on an incremental basis.

(6) The policy in (1) above is also applicable when the situation is reversed. That is, when minor activities not a part of the family housing program are physically located within an integral family housing complex or office supported by AFH funds.

g. Each installation responsible for the operation and maintenance of general officers' quarters will maintain separate subordinate cost accounting records at the detail activity and performance level for each set of quarters (see DA Pam 37-100-FY). Maintain these cost records for special reporting purposes to provide an analysis of the directly identifiable costs for the operation and maintenance of each set of general officers' quarters (see AR 210-50 for reporting instructions). These requirements apply only to family quarters that meet the criteria set forth in AR 210-50.

h. At installations having 30 or fewer family housing units under their control, it will not be necessary to maintain detail cost accounts prescribed in DA Pam 37-100-FY, other than levels required for reporting to DFAS-IN and requirements specified in AR 210-50. Where cost accounting operations for several installations or housing locations are consolidated for a total of 31 or more units, the procedures authorized by the preceding sentence are optional at the installation level. Their applicability depends upon whether administrative savings would be realized or other circumstances exist.

i. Reimbursements earned and collections. Account for reimbursements authorized and earned in the operation and maintenance of family housing facilities as funded reimbursements. Credit all reimbursements to AFH AMSCOs 191000.00 or 192000.00 (see DA Pam 37-100-FY), irrespective of the project in which the related cost was incurred. Except for rentals collected for occupancy of Capehart Housing, reimbursement billings for

services furnished will be in the same amounts as costs incurred in the AFH. An example would be if utilities, paid for initially by OMA funds are charged to the AFH at a fixed rate based on an engineering analysis, use that same rate in obtaining authorized reimbursement to the AFH from the actual users of such utilities. See AR 210-12 (Establishment of Rental Rates for Quarters Furnished Federal Employees) for basic principles in establishing and administering rates for Federal employees. See DA Pam 37-100-FY for the proper source codes to be used to identify cash collections for services (excluding rentals) furnished civilian occupants of family housing units. Identify collections with the installation (fiscal station number) that received the related obligation authority. Deposit rental receipts as prescribed in DA Pam 37-100-FY unless the AFH account is to be reimbursed for certain rental receipts when specifically authorized by DoD in special agreements. Deposit collections from individuals for damages to the operations and maintenance account for AFH. Deposit collections from individuals for damages, replacement or rental of U.S. Government-owned furniture as specified in DA Pam 37-100-FY. Reimbursements for services, in addition to rentals and related utilities furnished by AFH is limited to the following:

(1) A charge levied against a non-DoD Federal or other agency, including the Military Assistance Program (MAP) financed activity, which is sponsoring occupants of family dwelling units where the operation and maintenance support applicable to such units, is a responsibility of the host U.S. Army activity or installation. Operation and maintenance support to or from another DoD activity will be on a common support basis.

(2) Do not account for utilities and related services (except telephone services), authorized to be furnished to military and civilian personnel without charge, as reimbursable items.

26-14. Idle and under-utilized capacity costs

a. Some DBOF type installations are operated at levels below normal or economic capacity. The full capacity of these installations, however, will be needed if mobilization occurs. In such cases, a specific determination is made at HQDA level that retaining the facility is essential to support mobilization readiness. Operation of such an installation at low levels could result in distorting unit costs. Therefore, provisions exist for budgeting and separately funding that portion of the maintenance of facilities' costs attributable to maintenance of unutilized or under-utilized capacity.

b. Where a DBOF installation is operating at less than full capacity and its retention has not been specifically approved by HQDA as essential to support mobilization readiness, it is not considered

as having any idle or under-utilized capacity costs.

c. Separately identify costs of maintaining unutilized and under-utilized plant and equipment. Where significant, these costs are separately reimbursed by the agency requesting such facilities to be maintained.

(1) Actual maintenance costs of facilities or plant capacities that are scheduled to be idle during a fiscal year will be identified separately from maintenance costs of facilities scheduled to be active during the same fiscal year.

(2) For entire plants (or portions thereof) operated at less than practical capacity, the unutilized capacity may be due to fluctuating workload, a requirement for mobilization readiness, or a combination of both. Make an analysis of planned operations to determine that portion of the activity plant capacity that may be under-utilized during the fiscal year. Apply this percentage to the total fixed costs of the active plant to determine the cost attributable to under-utilized capacity.

d. Pending provision for separate programming, budgeting, and funding, managing commands will continue to record costs in DBOF accounts and to bill customers for their pro rata share of idle and under-utilized plan capacity costs.

26-15. Productivity program

a. AR 5-4 (Department of Army Productivity Improvement Program) provides guidance on U.S. Army productivity programs. Apply this regulation to all U.S. Army appropriations. Report financial data to support this program as follows:

(1) *Personnel compensation costs.* Include salaries and related benefits. See subparagraph 26-11 b (2) and (5) above.

(2) *Capital costs.* Include amortization or depreciation of hardware, software, buildings, machinery, vehicles, and so forth (refer to Chapter 18, for guidance on depreciation and amortization). Also include those costs of capital items provided by contract. When capital costs for a program function are a part of a larger system, estimate the portion of the costs attributed to the productivity program function being reported. If capital costs are ten percent or less of total inputs, include in the other costs category.

(3) *All other costs.* Include those costs not included as personnel compensation costs or capital costs. Do not include developmental or training costs for automated data processing (ADP) systems not yet implemented. Include these costs as capital expenses when the system is operational.

b. Dollar values are to be reported on productivity reports as follows:

(1) Follow the guidance in paragraph 26-11, above, to determine the dollar values to be included in productivity reports. Additional guidance to meet the

reporting requirements is as follows:

(a) Divide capital costs into two groups: real property and personal property.

(b) Develop a schedule of all real property or real property improvements (other than land) that is 20 years old or less together with their acquisition cost. Divide the acquisition costs of the items on the schedule by 20 years to obtain the annual depreciation expense.

(c) Include an amount for indirect costs for all other costs.

(d) For the productivity reports, limit indirect costs to those costs incurred by organizations that directly support the performing unit. (Thus, indirect costs are similar to overhead).

(2) With the exception of costs associated with EORs 31** (equipment) and 32** (land and structures) which tend to have value beyond the current accounting period, the timing of the obligation and use of the item is so similar that recorded obligations may generally be considered daily operating expenses. (See DA Pam 37-100-FY).

c. For the format to be used for reporting productivity amounts, see Table 26-9, which illustrates the cost elements to be recognized when reporting productivity dollar values. Follow this same format to estimate future savings or cost reductions for the selected productivity units.

26-16. Information technology facilities (ITFs)

a. *Purpose.* The purpose of this section is to prescribe cost accounting requirements for ITFs. ITFs may include data processing facilities, data processing installations, central design activities, computer centers, data centers, and so forth.

b. *Requirements.* U.S. Army accounting systems will provide sufficient accounting support to ITFs to identify obligations applicable to their operations. ITFs will identify costs applicable to services provided to users if -

(1) services are provided to more than one organizational or accounting entity,

(2) it operates one or more general management computers, and

(3) it has annual operations and maintenance obligations greater than \$3 million. An ITF will identify costs applicable to services provided to users if it has an annual reimbursable program of more than \$500 thousand. Exclude services provided under emergency conditions or reciprocal backup agreements from the service costing requirement. DBOF activities will follow the guidance contained in this chapter for the ITF function.

c. *Definitions.*

(1) *Cost center.* A logical or physical grouping of one or more similar services for identifying obligations or developing the cost identification for the services. Services are grouped into cost centers

to normalize between services that use similar resources with different capabilities; apply surcharges and discounts to services; identify costs for different classes of the same service; or identify obligations. One or more cost centers will make up an ITF. A cost center can also be referred to as a service center.

(2) *Costs.*

(a) *Direct costs.* Any item of cost that is easily and readily identified to a specific unit of work within the ITF cost centers. Direct costs may include civilian and military personnel costs, supplies, materials, contract services, and so forth.

(b) *Indirect costs.* An item of cost that is incurred for more than one specific unit of work within the ITF. The cost cannot easily and readily be identified to a single item and must be allocated. Numerous allocation methods can be used.

(c) *Overhead costs.* An item of cost, such as general and administrative expenses, that supports the total operation of the ITF, not just selected cost centers. Many allocation methods can be used. Examples of overhead costs are the front office of the ITF, administrative staffs, utilities, or general maintenance and repair expenses.

(3) *General management computer.* A general management computer is a digital computer that is used for any purpose other than as a part of a process control system, space system, mobile system, or equipment that is an integral part of a weapon or weapons system. Excludes equipment involved with intelligence activities and cryptologic national security activities.

(4) *ITF.* An organizationally defined set of personnel, hardware, software, and physical facilities, operated within or for DoD, whose primary function is the operation of information technology. An ITF includes--

(a) The personnel who operate computers or telecommunications systems, develop or maintain software, provide user liaison and training, schedule computers, prepare and control input data, control, reproduce, and distribute output data, maintain tape and disk libraries, provide security, and provide direct administrative support to personnel engaged in these activities.

(b) The owned or leased computer and telecommunications hardware, including central processing units, associated peripheral equipment such as disk drives, tape drives, printers, and consoles, data entry equipment, telecommunications equipment including control units, terminals, modems, and dedicated telephone and satellite links provided by the facility to enable data transfer and access to users. Exclude hardware acquired and maintained by users of the facility.

(c) The software, including operating system software, utilities, sorts, language processors, access

methods, data base processors, and similar multi-user software required by the facility for support of the facility or general use by users of the facility. Exclude all software acquired or maintained by users of the facility.

(d) The physical facilities, including computer rooms, tape and disk libraries, stockrooms and warehouse space, office space, and physical fixtures.

(5) *Obligations.* Amount of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period.

(6) *Service.* A service is any work performed by the ITF for a user or group of users.

(7) *Unit of service/work.* A unit of service or work is the end product or unit used to measure the amount of service or work received by users. Examples of service units are central processing unit (CPU) hours for a CPU service, lines printed for a printing service, lines of code written for software development, or checks processed for a payroll service. The units of service selected should be an accurate unit of the dominant type of work performed.

(8) *User.* A user is an individual, organizational or accounting entity that receives ITF services. A user may be internal or external to the U.S. Army component.

d. *Identification of obligation data.* Provide accounting support to ITFs so they can identify obligation data and report it when required.

e. *Identification and allocation of costs.*

(1) The identification and allocation of costs is a process by which the costs incurred by the ITF for providing its services are identified and allocated to a service unit being performed for a user. An allocation process, if used, must properly relate costs (direct, indirect, and overhead) to the appropriate service unit. A full description of the allocation process must be documented. When a charge is made for ITF services, use the cost identification and allocation process to identify the users and compute the charges. Make available a description (including a schematic) of the allocation process that shows the relationships of the various cost center direct costs, indirect cost pools, and overhead costs for review by appropriate authority and for user understanding of the allocation process.

(2) Distribute all costs associated with the operation of an ITF to the appropriate service units. Charges must be equitable to resources consumed and priority requested. Identify dedicated services to specific users. For multi-user services, estimates may be used where necessary provided these estimates are equitably identified for all service units. Within the ITF, provide further breakdowns to specific cost centers. Determine costs within these centers within a documented cost element structure.

(3) Review, periodically, the identification and

allocation process to ensure that no service has been inadvertently omitted or unnecessarily included.

(4) Once cost centers are established, specific units of service or work will be established to produce a rate of each type of service provided.

(5) Identify all direct costs associated with an ITF to the applicable cost centers.

(6) Establish indirect cost pools to identify the indirect costs associated with groups of service units. Allocate these costs periodically, based on an acceptable allocation method such as total direct costs or total direct labor hours. Document the allocation method applied.

(7) Establish an overhead cost pool for an ITF. Identify applicable costs to the overhead cost pool and periodically allocate based on an acceptable allocation method such as total direct costs or total direct labor hours. Document the allocation method applied.

(8) Evaluate indirect and overhead costs periodically to verify cost type (that is, indirect or overhead), and adjust allocations to the applicable service units as necessary.

(9) Maintain a record to identify the users of an ITF and the services provided to each user. The total output of an ITF must be reconcilable with the work accomplished or produced by the ITF. Derive statements of charges or identification of ITF services for users from records maintained by the ITF, preferably by each cost center. These records are required for verification of cost allocations and for planning and budgeting.

(10) Establish and document management control procedures for implementing this chapter.

f. Rate computation. When developing rates-

(1) Each service should have only one unit or service or work measurement.

(2) Services and their units of service should be easily understood by the ITF users.

(3) Services should represent a significant portion of the ITF's work, and the units of service should be a good measure of the amount of work performed.

(4) Services are not to be limited to equipment. Other services, especially personnel based services, are often costly and should be identified.

(5) When possible, services that are transaction or output based should be selected so the users can easily understand them.

(6) Services should be reviewed for change on a periodic basis. Policies and procedures need to be in place to facilitate this process.

(7) Rate development should follow a sequential procedure. Identified below are five basic steps that should be taken:

(a) *Step 1.* Identify all costs associated with the ITF, including direct, indirect, and overhead costs.

(b) *Step 2.* Identify the cost centers and all costs associated with each center.

(c) *Step 3.* Forecast the service usage or predict the number of units of service (CPU seconds or analyst hours) to be provided within a cost center.

(d) *Step 4.* Estimate the total cost per period for each cost center using the direct, indirect, and overhead costs from step 1.

(e) *Step 5.* Establish the rate for each unit of service by dividing the forecasted cost (step 4) of each cost center by the predicted number of units of service required (step 3). These rates incorporate all cost center costs into one factor that may be used for current or future jobs. Verify such rates periodically.

g. Potential costs associated with an ITF.

(1) *Personnel.* Both civilian and military persons who manage and perform information technology (IT) functions. This includes work such as development and upkeep of computer software, operation and management of in-house data processing centers and departments, data preparation, electronic output reproduction and distribution, equipment maintenance, and contract management. It also includes persons performing IT related custodial services, security, and building maintenance. This also includes other personnel related costs for training, travel, and recruiting.

(2) *Equipment.* Nonrecurring expenditures for acquisition and recurring costs for rental and leasing of computers, associated on-line and off-line automatic data processing equipment (ADPE), and special purpose IT furniture. If the dollar value of equipment meets the current investment threshold and has a useful life of 2 years or more, then depreciation will be applicable.

(3) *Computer software.* Nonrecurring expenditures for acquisition, development, and conversion and recurring expenses for rental and leasing of all types of software-operating, multi-purpose, and application. If the dollar value of the software meets the current investment threshold and has a useful life of two or more years, then depreciation may be applicable.

(4) *Space occupancy.* Funded and unfunded costs for rental and lease of buildings and general office furniture; building maintenance; regular telephone service and utilities; and custodial services and security.

(5) *Supplies.* Expenditures for non-capital office supplies and general and special purpose data processing material. Special purpose supplies are those prepared for one or a few applications. IT data storage media may be considered either supplies or items of equipment.

(6) *Contracted services.* Expenditures and contracting expenses for--

(a) Technical and consulting services for agency operated computer facilities and equipment, including equipment maintenance, security and custodial services for computer facilities, and advice on the

acquisition, selection, and use of computer facilities or software.

(b) Computer system services and off line equipment services such as for key data entry and report reproduction.

(c) Analysis, design, programming, documentation, and testing for development, modification, conversion, and upkeep of computer software.

(d) Data communications network services, associated telecommunications line charges, channel lease and rental, equipment rental and maintenance, and telecommunications system analysis and design.

(7) *Services from other units or agencies.* The costs of other U.S. Government agencies or organizational elements for those services cited under "Contracted Services", above.

(8) *Intra-agency services and overhead.* The costs of normal agency support services and overhead, either billed or allocated, and the costs of central ADP management, policy, and procurement services.

Table 26-1. Example of computation estimated costs of annual leave

Total estimated cost for annual leave	\$930,000.
Plus estimated increase in value of accrued annual leave due to pay raise.	\$30,000.
Total amount to be accrued.	\$960,000.
Divided by estimated regular pay for regular, overtime and holiday hours worked.	\$10,000,000.
Equals annual leave accrual rate, if base is dollars.	.096

OR

Total amount to be accrued (above)	\$960,000.
Divided by total number of estimated civilian working hours, including regular, overtime holiday hours.	
Equals standard rate for accruing annual leave if base is working hours.	

Table 26-2. Computing Standard Rate for Accruing CSRDF & Other Retirement Plans

Total estimated annual covered salaries (CSRDF)	x	Appropriate rate	=	Annual estimated CSRDF cost.
Annual estimated CSRDF cost.	/	Total number of all civilian employees	=	Average annual cost per employee.
Average annual cost per employee	/	Average working hours.	=	Standard rate for accruing retirement per employee hour.
Annual estimated CSRDF cost (above).	/	Estimated pay for regular overtime and holiday hours worked.	=	CSRDF accrual rate if base is dollars.

Table 26-3. Example of Computation (Accrual for FICA taxes)

Estimated covered salaries.	X	Applicable rate	=	Estimated annual FICA cost.
Estimated annual FICA cost	/	Total number of all civilian employees.		Average annual cost per employee.
Average annual cost per employee.	/	Average working hours.	=	Cost per average hour.

OR

Estimated annual FICA cost.	/	Estimated pay for regular, overtime, and holiday hours worked.	=	FICA accrual rate if base is dollars.
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Table 26-4. Example of Computation (FEGLI Standard Rate)

Total estimated FEGLI covered payroll cost	+	Number of FEGLI covered civilian employees X \$2,000.	=	Total estimated regular insurance coverage.
Total estimated regular insurance coverage.	X	Regular biweekly insurance coverage cost.	=	Biweekly cost to employees.
Biweekly cost to employees.	X	50%	=	Government's biweekly estimated cost, regular insurance
Biweekly estimated cost, regular insurance	X	26 pay periods	=	Annual estimated FEGLI cost.
Annual estimated FEGLI cost	/	Estimated annual employee working hours	=	Estimated FEGLI rate per employee working hours.

OR

Annual estimated FEGLI Cost	/	Estimated annual payroll for regular time, overtime and premium pay.	=	Estimated FEGLI rate per labor dollar.
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Table 26-5. Example of Computation (FEHBP Standard Rate)

Annual estimated FEHBP cost	/	Estimated annual work hours	=	Estimated accrual rate per working hour
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OR

Annual Estimated FEHBP cost.	/	Estimated regular pay for regular time, overtime, and premium for holiday hours worked.	=	FEHBP accrual rate per dollar
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Table 26-6. Example of Contribution (MEDICARE Standard Rate)

Total estimated annual covered salaries (not to exceed maximum per covered employee)	X	MEDICARE rate	=	Annual estimated MEDICARE cost
Annual estimated MEDICARE cost	/	Total number of civilian employees (covered and non-covered).	=	Average annual cost per employee
Average annual cost per employee	/	Average working hours per employee	=	Standard rate for accruing MEDICARE per employee working hour
OR				
Annual estimated MEDICARE cost	/	Estimated regular pay for regular time, overtime, and premium pay for holiday hours worked	=	MEDICARE accrual rate if base is dollars

Table 26-7. Required Project Accounts

<i>If the project is for-</i>	<i>then-</i>
1. Alteration and minor construction work funded by the operation & maintenance appropriations (see Notes 1 through 4)	set up individual accounts as subdivisions of the Real Property Maintenance activities in accordance with (IAW) DA Pam 37-100-FY.
2. Alteration and minor construction work funded by the military construction appropriations (see Notes 1 through 4)	set up individual accounts as subdivisions of minor construction codes IAW DA Pam 37-100-FY.
3. Alteration and minor construction work at RDTE funded installations (see Notes 1 through 4)	set up individual accounts as subdivision of Real Property Maintenance activities IAW DA Pam 37-100-FY.
4. Maintenance and repair work funded by the operation & maintenance appropriations (see Notes 1 through 4)	set up individual accounts as subdivision of Real Property Maintenance activities IAW DA Pam 37-100-FY.
5. Maintenance and repair work at RDTE funded installations (see Notes 1 through 4)	set up individual accounts as subdivisions of Real Property Maintenance activities IAW DA Pam 37-100-FY.
6. Maintenance of Real Property Facilities work funded under the operation & maintenance, Army family housing program, 192000.00 (see Notes 1 through 4)	set up individual accounts under program 192000.00 IAW DA Pam 37-100-FY.
7. Improvement work funded under the Military Construction Family Housing program 1830 (see Notes 1 through 4)	set up individual accounts under program 600000.00 IAW DA Pam 37-100-FY.
8. A special facilities engineering maintenance or repair project (including family housing) requiring approval above the installation level	set up an individual project cost account.
9. Work where the project accounts are maintained by the facilities engineer	the FAO/DAO will maintain control accounts for DA Pam 37-100-FY accounts shown in above rules.

Notes:

1. For specific maintenance or repair work where costs are chargeable to more than one prescribed activity, charge these costs initially to a project clearing account for later distribution to the proper activity account.
2. For work on which activity extends beyond the end of the fiscal year, record the cumulative costs as of the end of the fiscal year in the account set up for the project in the next fiscal year. Record costs in a manner that will both ensure the continuity of the project's cumulative costs, and facilitate reconciliation on a fiscal year basis.
3. Record costs, which are not to be considered in determining approval authority or compliance with statutory limits, as part of the installation's real property records whether paid for from the installation's funds or other funds, see AR 45-35.
4. AR 415-35 sets forth the costs that will be applied to a project in determining approval authority and compliance with statutory limitations.

Table 26-8. Procedures for accounting for basic cost elements

<i>If the basic cost element is-</i>	<i>and it consists of-</i>	<i>then-</i>
1. Labor	civilian personnel engaged in alteration, minor construction, maintenance, and repair working on more than one area	charge labor costs of these personnel to the benefiting projects on the basis of hours actually spent. Include in the hourly rates-- a. The costs of any pay differentials and allowances, if any. b. Annual, sick, and other leave. c. Costs of employer contributions for taxes, employee insurance, health benefits, and retirement programs.
2. Supplies	consumable and non-consumable supplies	charge issues of these supplies to the benefiting project accounts as shown in DA Pam 37-100-FY.
3. Contractual services and other costs		charge these costs to the benefiting project accounts as shown in DA Pam 37-100-FY.
4. Equipment		charge these costs to the benefiting projects on the basis of the days that the equipment was used on the project. (1) Charge the following to projects as funded costs: (a) Facilities engineering equipment maintenance and operation costs. (b) OMA-funded and operation costs of all Government-owned equipment.
a. Minor construction Government-owned equipment projects.		(2) Charge equipment depreciation costs in the project as unfunded costs. (Exception: Consider depreciation cost of plant equipment owned by Civil Works Revolving Fund, USACE, and DBOF-DMA as funded cost).
	Rental equipment	charge these costs to the benefiting projects as funded costs on the basis of the days that the equipment was used on the project (see the corresponding credit in accounts as identified in DA Pam 37-100). In finding the rental costs, apply to separate direct rates as prescribed in AR 420-17.
b. Maintenance and repair equipment projects		charge these costs to maintenance and repair projects as prescribed for minor construction projects in (a) above.

Table 26-9. Costs to be recognized for productivity reporting purposes

Personnel compensation (includes benefits):	\$ _____
GLACs (6111, 6112, 6113, 6114, 6115, 6130)	
Capital Expenses:	_____
GLACs (6125, 6126, 6127, 6128)	
Other Expenses:	_____
GLACs (6116, 6117, 6118, 6119, 6120, 6121, 6122, 6123, 6124, 6129, 63XX, 6900)	
Total costs associated with final cost objective.	\$ _____
